

Weekly Economic & Business Review

JANUARY 26, 2009

VOLUME 1 NO 33

HIGHLIGHTS

Politics and Policies

- Senate Approves \$500 Million Development Bond
- House of Representatives Reduces 2009 Budget Deficit by 40.6%
- House of Representatives Considers Bill to Control IPO and PP
- Yar'Adua Presents 2006 Census Report to National Assembly
- FG to Establish National Gender Data Bank
- Taskforce on Port Decongestion Begins Operation
- FG Lifts Ban on \$8.5 Billion Rail Project

Economy

- Inflation Accelerates to 15.1% in December 2008
- Crude Oil Price Rises Above \$44pb
- EU Renews Interest in Trans-Sahara Gas Pipeline Project
- FG Deregulates Pump Price, Petrol Now N65 per litre
- FG to Spend N50 Billion on Health Insurance Scheme
- FG to Raise N9 Billion Bond
- CBN Licenses 840 Microfinance Banks
- TRACON Project to Become Operational in April
- Power Generation Falls to 1,700mw
- Cross River State to Build \$1.5 Billion Oil and Gas Project
- FCTA to Spend N10 Billion on Roads in Satellite Towns
- Ebonyi State to Issue N13.9 Billion Bond
- Goje Signs N51.9 Billion Budget into Law
- Aliyu Signs N69.1 Billion Appropriation Bill for 2009

Market Analysis

The Stock Market | FGN Securities | NIBOR Rates | NIFEX Spot Rates
 Inter-bank Rates | Treasury Bills | Maturing Bills | Average Deposit and Lending Rates
 Exchange Rates (N/\$)

Business Update

- Access Bank Projects N5.4 Billion Q4 2008 Profit
- PZ's Profit Grows by 15.4%
- UNIC Insurance's Profit Gross by 29.6%
- Guinea Insurance Grows Profit by 222.6%
- Aso Savings Grows Profit by 76.3%
- IHS to List on the Stock Exchange
- Cadbury Posts N726.9 Million Loss
- Fidson's Profit Falls by 62.5%
- Nigeria and Ukraine to Strengthen Business Relationship
- Telkom Completes Multi-Links Acquisition for \$130 Million
- Indian Firms to Construct \$4 Billion Petrochemical Plant
- MTN to Invest \$1.5 Billion to Boost Capacity
- BPE Shortlists 17 Investors for SAHCOL

Regional Developments

- Kenya - KNBS to Revise Inflation Basket
- Burundi - \$500 Million Required to Fix Power Shortages
- Burundi - Inflation Rate Rises to 24.5%
- Ghana - Vodafone Ghana and Huawei Sign \$120 Million Contract to Expand Network
- Rwanda - Belgium Earmarks 38.1 Million Euros for Development Cooperation
- Angola - European Airlines Seek TAAG Partnership

World Economy

- United Kingdom - Government Unveils New Bank Bailout Measures
- Eurozone - 2009 GDP to Contract by 1.9%
- Japan - Central Bank Leaves Benchmark Rate Unchanged
- China - GDP Growth Slows to 6.8%
- Brazil - Central Bank Cuts Benchmark Interest Rate
- Russia - GDP Growth Forecast Revised

Nigeria Economic Indicators

Buzzword - Panic Selling

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JANUARY 26, 2009

Senate has given approval for FG to source \$500 million at the international capital market over a 10-year period for infrastructural development. The bond would be naira denominated and is expected to open a window for the private sector to source funds for long-term capital projects through public-private partnership (PPP) arrangement. Meanwhile, the Senate has advised that floating the bond while the global economic crisis subsists would be uneconomical, and hence, recommends that its issuance be delayed until global economy improves.

House of Representatives has reduced the 2009 budget deficit from N1.1 trillion to N653.9 billion, representing a 40.6% reduction. The House included, as revenue, the sums of N100.1 billion and N64.8 billion (balances on FG's special accounts as at December 2008). However, the budget would be harmonized with that of the Senate which passed N3.05 trillion as 2009 budget, up from N2.87 trillion proposed by the president.

House of Representatives is considering a bill to amend the Investment and Securities Act in a bid to boost efficiency, as well as introduce tighter controls to the capital market. The bill seeks to stop any company from making further public offering within a 3-year period of its initial public offer. It would also stipulate that private placements would only be carried-out with express approval of the Securities and Exchange Commission.

President Umaru Musa Yar'Adua has presented the 2006 Census Report to the National Assembly. From the data, the country's total population in 2006 stood at 140.0 million, with an annual growth rate of 3.2%. Male population was 71.7 million, while female was 68.3 million. At 9.3%, the Federal Capital Territory (FCT) has the fastest growth rate, followed by Yobe State with 3.5%, while Taraba has the least growth rate of 2.9%.

FG has unveiled plans to establish a National Gender Data Bank (NGDB). The objective of the data bank is to promote attainment of gender equality in the country and also serve as storage for gender statistics. Field work for data collection across the country is expected to take off from Q1 2009. The project is supported by the United Nations Children's Fund (UNICEF).

FG's task force on decongestion of the nation's seaports has commenced operation at the Apapa and Tin Can Island seaports in Lagos. The task force is made up of representatives of Customs, Nigeria Police, State Security Service, Economic and Financial Crimes Commission, as well as other relevant government agencies. The force is expected to carry out physical examination of cargoes and check other discrepancies in documentations. Leadership change in the Nigeria Customs Service resulted in delay in commencement of operations.

FG has lifted suspension of the \$8.5 billion contract for the rehabilitation of the nation's railway system. The railway project was earlier suspended due to lack of finance and non-compliance with due process. The contract was awarded to China Civil Engineering Construction Co Ltd in 2006.

Politics & Policies

Senate Approves \$500 Million Development Bond

House of Representatives Reduces 2009 Budget Deficit by 40.6%

House of Representatives Considers Bill to Control IPO and PP

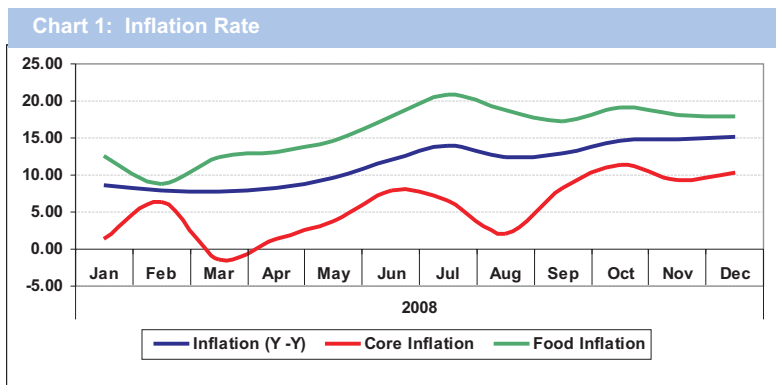
Yar'Adua Presents 2006 Census Report to National Assembly

FG to Establish National Gender Data Bank

Taskforce on Port Decongestion Begins Operation

FG Lifts Ban on \$8.5 Billion Rail Project

Data from the National Bureau of Statistics (NBS) show that year-on-year inflation rate rose from 14.8% in November 2008 to 15.1% in December. The rise was attributed to increases in costs of transportation, services and some staple food items. Core inflation rose by 10.4% over the corresponding level in 2007, while food inflation declined by 18.0%.



Source: CBN & NBS

Crude oil price rose from \$36.51 a barrel on January 16, 2009 to over \$44 per barrel (pb) on January 22, 2009 following news that Organization of Petroleum Exporting Countries (OPEC) members would commit to quota cut. OPEC, which produces about 40% of global output, plans to trim its supplies from 27.65 million barrels per day (mbpd) to about 26.15 mbpd in January 2009. The organization has so far cut its output by 4.2 million barrels per day, including a 2.2 mbpd cut in December 2008, to stem sliding crude oil prices.

European Union (EU) has renewed its interest in the \$13 billion Trans-Sahara Gas Pipeline project expected to transport gas from Nigeria to Europe via Algeria. According to the plan, about 30 billion cubic metres of gas would be transported each year via a 4,128 km (2,580 mile) pipeline to be completed in 2015. The renewed interest results from efforts to diversify its energy supply source from Russia. Recently, Russia shutdown its gas supply to Europe due to a dispute with Ukraine. This left some European countries with severe gas shortfalls.

FG has cut pump price of petrol from N70 a litre to N65, and introduced a new pricing regime which would enable fuel prices to be set monthly. The cut was induced by the slide in the price of crude oil at the international market. On a monthly basis, Petroleum Products Pricing Regulatory Agency (PPPRA) will assess market fundamentals which include cost of refined product, cost of finance, exchange rate and cost of freight.

FG has disclosed plans to spend the sum of N50 billion in six states of the country under the National Health Insurance Scheme (NHIS). Imo, Bayelsa, Gombe, Oyo, Sokoto and Niger states would benefit in the first phase of the pilot scheme, but would be required to provide counterpart funding to access the fund.

FG has disclosed plans to raise a N9 billion bond through the Debt Management Office (DMO) to settle pension arrears of retrenched staff of Nigerian Telecom Ltd (NITEL) and Mobile Telecoms Ltd (MTEL). The workers, who were laid-off following sale of NITEL & MTEL in 2006, are demanding for the payment of N17 billion pension arrears.

Central Bank of Nigeria (CBN) has disclosed that a total of 840 microfinance banks (MFBs) had been issued operational licences as at end-2008. CBN noted that the prospects of having a robust microfinance industry were still bright and pledged to re-engineer its internal processes and machineries to respond to the supervisory challenges. CBN, however noted that only 12 out of the 36 states have so far contributed the stipulated 1% of annual budgets, to enable access to the N50 billion microfinance fund.

Ministry of Aviation has disclosed that the Total Radar Coverage of Nigeria (TRACON) project awarded to Thales ATM (France) at a cost of 66 million euros is close to completion. Radar facilities at the Lagos and Abuja international airports would become operational by April 2009, while those in Kano and Port Harcourt airports are expected to be completed by November 2009.

Association of Electricity and Allied Companies (AEAC) has disclosed that the nation's power generation level dropped from 3,000 megawatts (mw) in September 2008 to about 1,700 mw as at mid-January 2009. The decline in electricity supply was attributed to inefficient gas supply to power the thermal stations.

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TRACON Project to Become Operational in April

Power Generation Falls to 1,700mw

JANUARY 26, 2009

Economy

Cross River State Government has disclosed plans to build a \$1.5 billion Oil and Gas Project in Ekorinim Peninsula of the state. The project, which is expected to cover about 373 hectares of land, would be funded through a public-private partnership (PPP) arrangement. Work on the project is expected to commence by end-Q1 2009. Meanwhile, the State Government also disclosed plans to expand the Margaret Ekpo International Airport.

Federal Capital Territory Administration (FCTA) has disclosed plans to spend the sum of N10 billion to build roads in satellite towns of the territory. The objective is to de-congest Abuja and reduce pressure on facilities in the city. Developing the roads would also help to open-up other areas of the territory.

Ebonyi State Government has disclosed plans to issue a N13.9 billion bond to fund the rehabilitation of roads across the state. Note that about N12.84 billion (representing 65% of N19.9 billion allocated to the Economic sub-sector in its 2009 budget) was set-aside for road maintenance. The State Government has allocated the sum of N2.3 billion to service the proposed loan.

Gombe State Governor, Muhammad Goje, has signed the state's 2009 appropriation bill of N51.9 billion into law. Recurrent expenditure is projected at N20.9 billion, while capital expenditure is put at N31.0 billion.

Niger State Governor, Dr. Muazu Babangida Aliyu, has signed an appropriation bill of N69.1 billion for 2009, representing a 24.6% increase over the 2008 budget. Of the sum, recurrent expenditure is projected at N28.3 billion, while capital expenditure is put at N40.8 billion.

Cross River State to Build \$1.5 Billion Oil and Gas Project

FCTA to Spend N10 Billion on Roads in Satellite Towns

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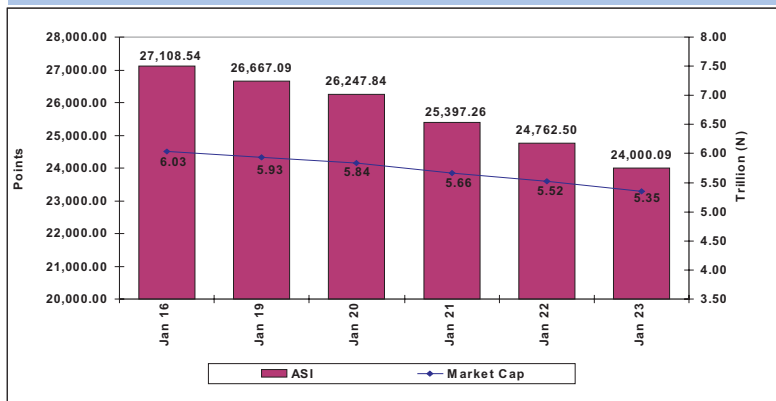
Goje Signs N51.9 Billion Budget into Law

Aliyu Signs N69.1 Billion Appropriation Bill for 2009

The Stock Market

The stock market was bearish during the week ended January 23, 2009, as both All Share Index (ASI) and Market Capitalization (MC) declined by 6.09% and 5.54%, respectively, to N5.35 trillion and 24,000.09 points. ASI and MC have fallen by 23.7% and 23.1% ytd, respectively, from 31,450.78 points and N6.96 trillion.

Chart 2: Stock Market - 1 Week Trend



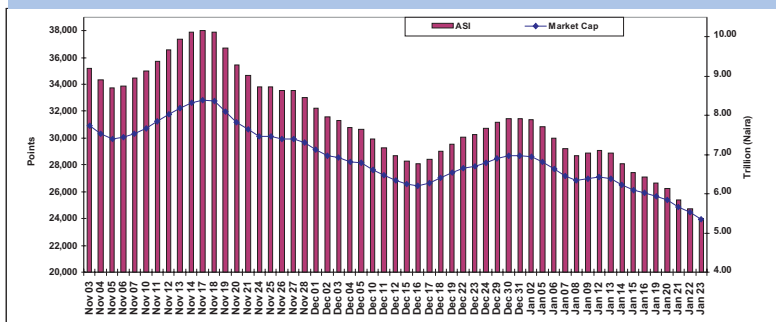
Source: NSE

Table 1: Stock Market at a Glance

	Last Week	Previous Week	1 Week Change (%)	Ytd Change (%)
ASI	24,000.09	27,108.54	(11.47)	(23.69)
Market Cap (N'trillion)	5.35	6.03	(11.28)	(23.13)
Volume (million)	1.42	1.17	21.37	-
Turnover (N'billion)	7.84	8.32	(5.77)	-

Source: NSE

Chart 3: Stock Market

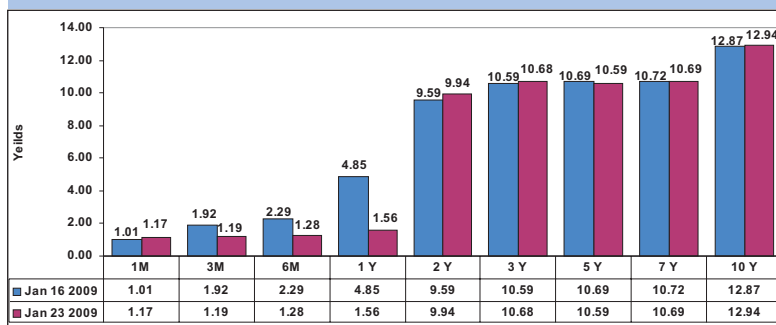


Source: NSE

FGN Securities

Yields on FGN securities exhibited mixed trends during the week under review. The yields on all short-tenored instruments declined, except 1-month TBs, which rose by 16 basis points, while yields on medium-long instruments were relatively stable.

Chart 4: FGN Securities Yield - January 16 vs January 23, 2009



Source: FDHL

NIBOR Rates

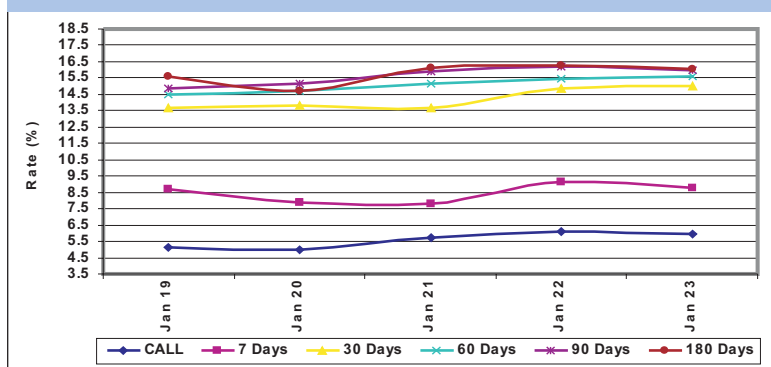
At the Inter-bank market, interest rates rose generally during the week under review, except 60-day and 90-day interest rates which declined by 75 and 54 basis points, respectively.

Table 2: NIBOR Rates

Date	Tenor						
	CALL	7 Day	30 Day	60 Day	90 Day	180 Day	365 Day
Jan 19	5.1667	8.7083	13.6667	14.5000	14.8750	15.6250	15.5417
Jan 20	5.0000	7.9167	13.7917	14.7500	15.1667	14.7500	15.3333
Jan 21	5.7500	7.8333	13.6667	15.1667	15.9167	16.1250	15.9167
Jan 22	6.0833	9.1250	14.8333	15.4583	16.1667	16.2500	16.5833
Jan 23	5.9583	8.7917	15.0417	15.5833	16.0000	16.0417	16.1667

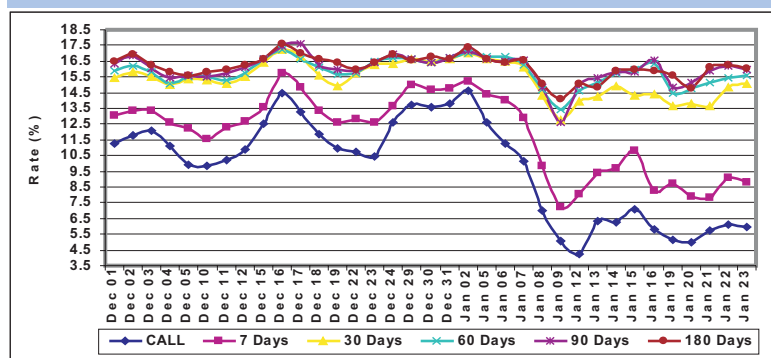
Source: FDHL

Chart 5: NIBOR Rates - 1 Week Trend



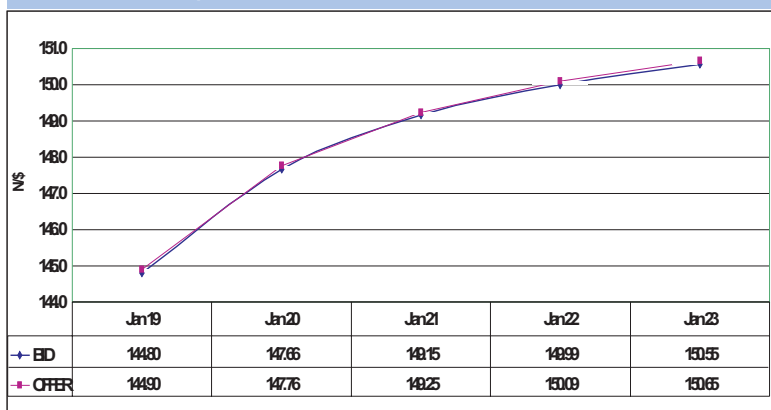
Source: FDHL

Chart 6: NIBOR Rates - Trend Analysis



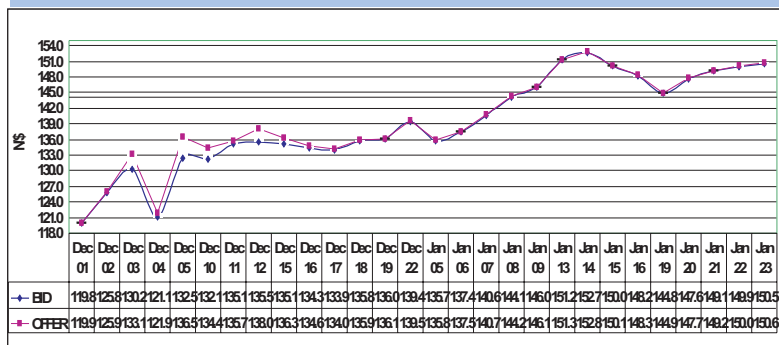
Source: FDHL

Chart 7: NIFEX Spot Rates - 1 Week Trend



Source: Money Market Association of Nigeria

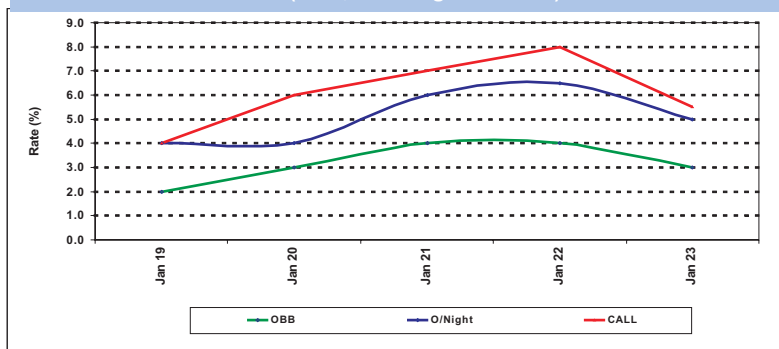
Chart 8: NIFEX Spot Rates - Trend Analysis



Source: Money Market Association of Nigeria

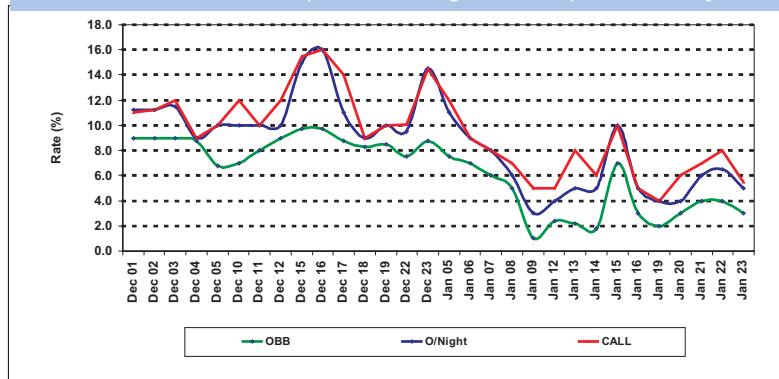
Inter bank Rates

Chart 9: Inter-bank Rates (OBB, Over-Night and Call) - 1 Week Trend



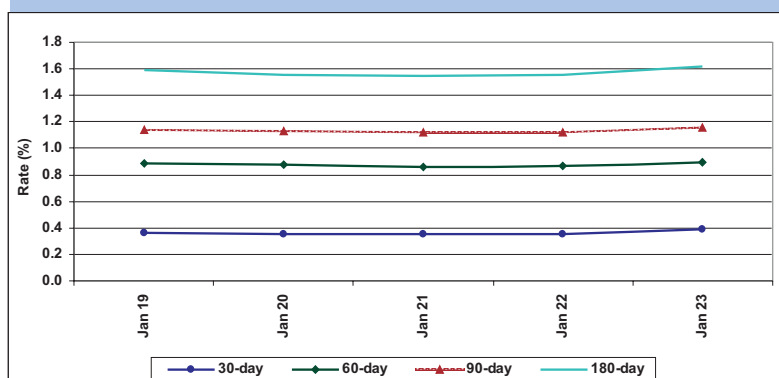
Source: FDHL

Chart 10: Inter-bank Rates (OBB, Over-Night and Call) - Trend Analysis



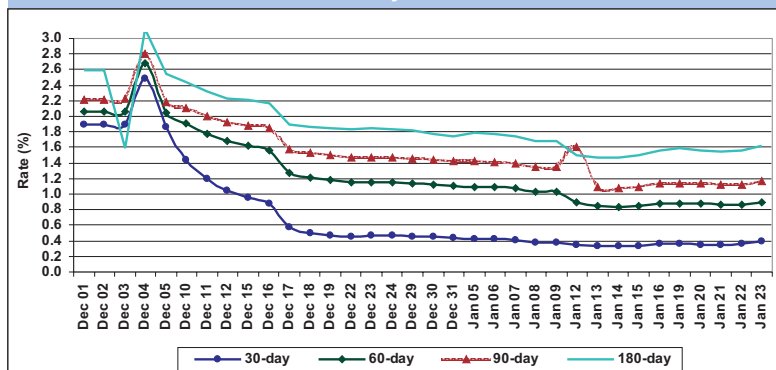
Source: FDHL

Chart 11: LIBOR Rates - 1 Week Trend



Source: FDHL

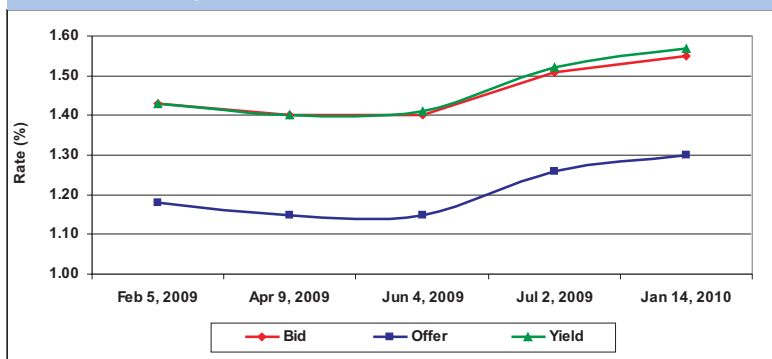
Chart 12: LIBOR Rates - Trend Analysis



Source: Money Market Association of Nigeria

Treasury Bills

Chart 13: Treasury Bills Mark to Market Rates and Yield



Source: Money Market Association of Nigeria

Maturing Bills

Table 3: Primary Market Auction

Tenor	Amount (N'm)	Rate (%)	Date
91 Day	5,000.00	6.50	29-January-2009
182 Day	36,526.82	9.55	29-January-2009

Source: Money Market Association of Nigeria

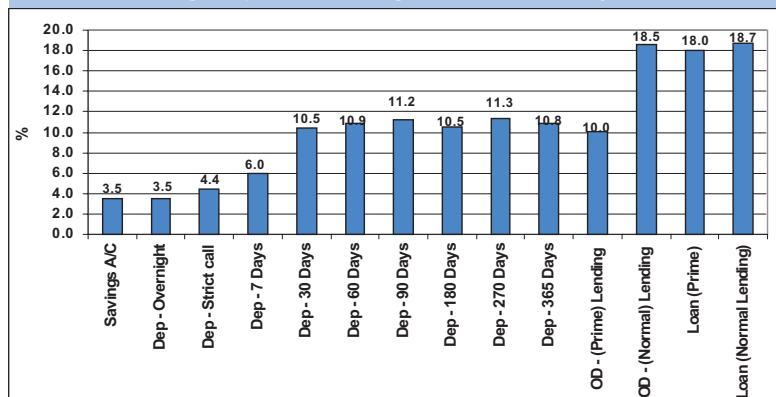
Table 4: Open Market Operations (OMO)

Tenor	Amount (N'm)	Rate (%)	Date
167 Day	23,000.00	9.50	29-January-2009
174 Day	5,000.00	9.50	29-January-2009

Source: Money Market Association of Nigeria

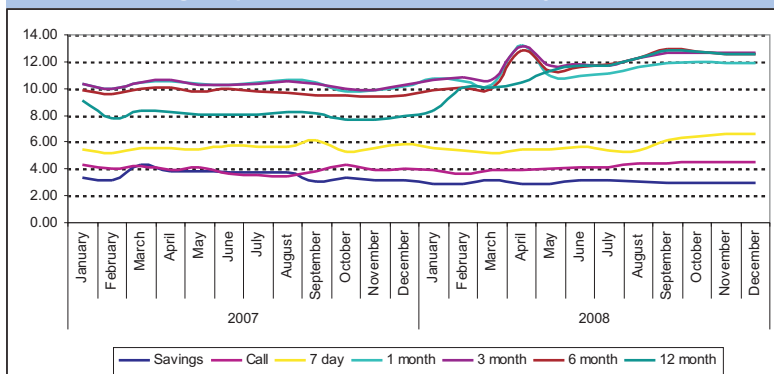
Average Deposit and Lending Rates

Chart 14: Average Deposit & Lending Rates as at January 23, 2009



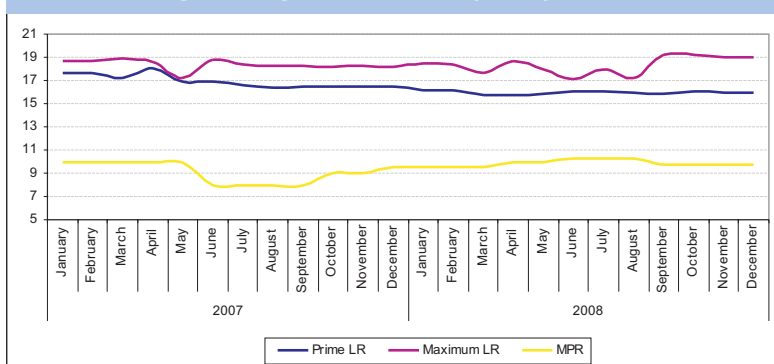
Source: Money Market Association of Nigeria

Chart 15: Average Deposit Rates: 2-Year Trend Analysis



Source: Money Market Association of Nigeria

Chart 16: Average Lending Rates vs Monetary Policy Rate: 2-Year Trend



Source: Money Market Association of Nigeria

Exchange Rates (N/\$)

The value of naira viz-a-viz US dollar depreciated at the official and inter-bank markets by 43 kobo, 230 kobo, respectively, while it appreciated by 700 kobo at the parallel market. Inter-bank rates may have risen following CBN's rule that forex purchased at the official market by authorised dealers are not transferable in the inter-bank market. Forex supply at the market solely rest on other autonomous sources.

Table 5: Exchange Rates (N/\$)

Market	January 16	January 23	12 Months Ago
Official	143.57	144.00	116.81
Inter-bank	148.35	150.65	117.15
Parallel	160.00	153.00	120.00

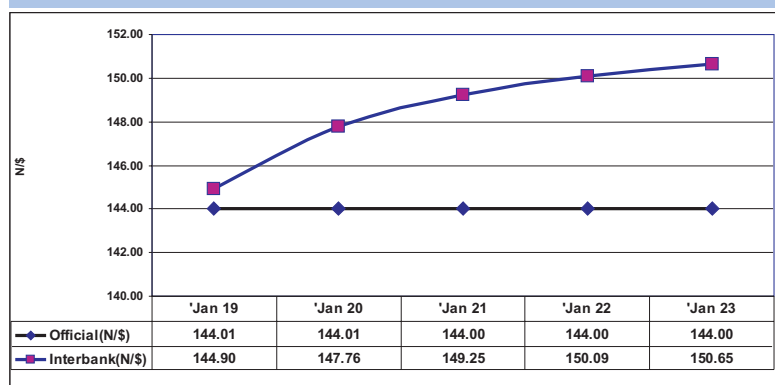
Source: CBN & FDHL

Table 6: Exchange Rates (Naira Against Major Currencies)

Date	N/\$	N/£	N/€
Jan 19	144.01	210.97	190.70
Jan 20	144.01	200.56	186.68
Jan 21	144.00	198.16	186.47
Jan 22	144.00	198.16	186.47
Jan 23	144.00	195.61	184.49

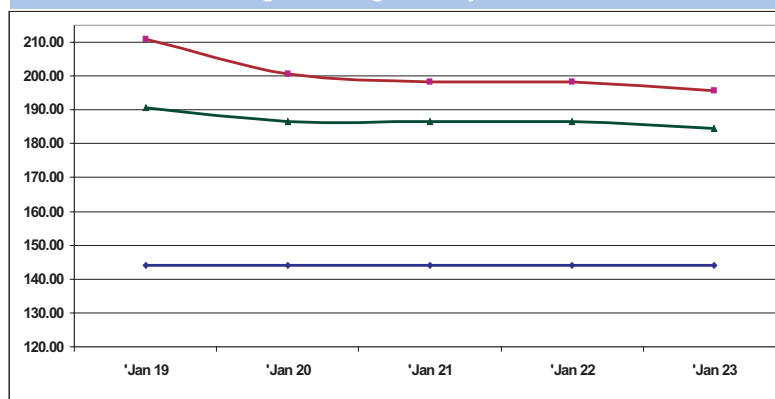
Source: CBN & FDHL

Chart 17: Foreign Exchange Rates Trend - Official vs Interbank



Source: CBN & FDHL

Chart 18: Naira Exchange Rates Against Major Currencies



Source: CBN

JANUARY 26, 2009

Access Bank Plc has projected a Q4 2008 profit after tax (PAT) of N5.4 billion and gross earnings of N24.2 billion over the same period. Access posted a profit after tax (PAT) of N15.9 billion for the 2007 FY. The bank, which currently has presence in Cote D'Ivoire, Democratic Republic of Congo, Sierra Leone, The Gambia, Rwanda, Burundi, Zambia, and United Kingdom, plans to extend its presence to Botswana, Uganda, Kenya and Tanzania by end-2009.

PZ Cussons Plc has reported 1H 2008 (November 30) profit after tax (PAT) of N1.5 billion, representing a 15.4% increase over N1.3 billion recorded in the corresponding period of 2007. Gross earnings also grew by 20.1% from N29.9 billion to N35.9 billion in the same period.

UNIC Insurance Plc has reported a Q3 2008 profit after tax (PAT) of N365.3 million, representing a 29.6% increase over N281.9 million recorded in the corresponding period of 2007. Gross premium also grew by 28.6% from N1.4 billion to N1.8 billion in the same period.

Guinea Insurance Plc has reported a Q3 2008 unaudited profit after tax (PAT) of N180.0 million, representing a 222.6% increase over N55.8 million recorded in the corresponding period of 2007. Turnover also grew by 251.8% from N202.2 million to N711.4 million in the same period.

Aso Savings & Loans Plc has reported a Q3 2008 un-audited profit after tax (PAT) of N1.2 billion, representing a 76.3% increase over N680.6 million recorded in the corresponding period of 2007. Turnover also grew from N6.2 billion to N7.9 billion in same period.

IHS Nigeria, an indigenous telecoms infrastructure provider, has unveiled plans to list 4.4 billion ordinary shares on the Nigerian Stock Exchange (NSE) at N5 each. The company would be listed in the telecoms sector of the exchange.

Cadbury Nigeria Plc has reported a net loss of N726.9 million for its 2007 FY, which cuts losses by 84.6% from N4.7 billion recorded in 2006. Turnover, however, grew by 3.7% from N19.2 billion to N19.9 billion in the same period. During the 2006 FY, the company was penalised for account misrepresentation, which led to the removal of the former Chief Executive Officer, Bunmi Oni.

Fidson Healthcare Plc, an indigenous company, has reported a profit after tax (PAT) of N189.3 million for its 2008 FY, representing a 62.5% decrease from its 2007 PAT of N505.3 million. The company attributed the decline to tax payment, which it was exempted from in 2007. Turnover grew by 36.4% from N3.3 billion to N4.5 billion in same period, while shareholders' fund also increased by 250% from N1.4 billion to N4.9 billion. The Board of Directors has proposed a dividend payment of 20 kobo per share, representing a 53.9% increase over the payment in 2007.

Nigerian and Ukrainian Governments have agreed to further strengthen economic ties. Both countries plan to cooperate on economic development plans, business regulation (legal framework), taxes, customs, as well as exchange of trade information, market research, trade fairs and trade missions.

Telkom SA, sub-Saharan Africa's largest fixed-line telecom operator, has acquired the remaining 25% stake of Multi-Links (Nigerian telecommunications operator) from Kenston Investment for \$130 million. With the acquisition, Telkom now owns 100% stake in Multi-Links. Multi-Links has a Universal Access License that allows it to provide fixed, mobile, fixed-wireless, international and data services in Nigeria. Its mobile customer base has grown from 262,431 to over 1.7 million since Telkom acquired 75% stake in 2007.

GAIL (India) Ltd and Reliance Industries Ltd (RIL) have disclosed plans to construct a petrochemical refinery in Nigeria at an estimated cost of \$4 billion. The plant would use gas as its feedstock, which would be converted into value added petrochemical products. The capacity of the refinery is expected to be between 1.5 million tonnes per annum (mtpa) and 2.0 mtpa. GAIL is owned by the Indian government.

MTN Nigeria has unveiled plans to invest about \$1.5 billion to improve service quality on its network. The company plans to build a transmission network encompassing microwave transmission frameworks and a fibre optic network, similar to those used by financial institutions for Automated Telling Machine transactions. Currently, MTN has over 20 million subscribers on its network.

Business Update

Access Bank Projects N5.4 billion Q4 2008 Profit

PZ's Profit Grows by 15.4%

UNIC Insurance's Profit Gross by 29.6%

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Aso Savings Grows Profit by 76.3%

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JANUARY 26, 2009

Business Update

Bureau of Public Enterprises has announced the pre-qualification of 17 investors to bid for a 51% controlling interest in Skypower Aviation Handling Company (SAHCOL). SAHCOL was a subsidiary of the defunct Nigeria Airways which provided ground handling services nationwide for the airline. The companies shortlisted include Eraskorp Consortium, Industrial Ports Engineering Services, Aviation Services and Handling Company, Plural Holdings Ltd, AHS Menzies/Air Logistic Technical Consortium, Aviation Handling Partners Ltd, TAK Continental Ltd, Danzas Express Services Ltd and Sifax Shipping Company Ltd.

BPE Shortlists 17 Investors for SAHCOL

JANUARY 26, 2009

Regional Developments

KNBS to Revise Inflation Basket

Kenya National Bureau of Statistics (KNBS) has disclosed plans to revise the components of its consumer prices basket and computation of inflation. Under the new index, food would account for 40.3%, down from 50.5%. In addition, new consumption patterns such as mobile phone charges, bottled water and bicycle taxi fares would be reflected in the new index. The new computation would also adopt geometric mean, rather than arithmetic mean. KNBS plans to adopt the new index during 2009 fiscal year.

\$500 Million Required to Fix Power Shortages

Burundi's Government has revealed that \$500 million is urgently needed to solve current power shortages in the country. Government plans to build a hydroelectric dam with capacity to generate 100 megawatt (mw) of electricity. The country's main hydroelectric dam has capacity to generate 32.5 mw, but produces only 8 mw, leaving the country with acute power shortage. Burundi imports 15 mw from Democratic Republic of Congo and has been forced to ration power to both homes and businesses following inability to meet demand.

Inflation Rate Rises to 24.5%

A recent report by the Central Statistics Office (CSO) shows that Burundi's inflation rate rose from 24.3% in November 2008 to 24.5% in December. The rise was attributed to high costs of food and fuel. Meanwhile, International Monetary Fund (IMF) forecasts that the country's inflation will fall to 9% in 2009 due to recent fall in price of crude oil at the international oil market, while the economy would grow from 4.5% in 2008 to 4.8% in 2009.

Vodafone Ghana and Huawei Sign \$120 Million Contract to Expand Network

Huawei, China's largest Telecom solutions provider, and Vodafone Ghana have signed a \$120 million contract to expand the latter's 2G network and subsequently roll out a 3G platform. The contract would enable Vodafone Ghana expand its radio base stations and cell sites across the country to achieve strategic market growth.

Belgium Earmarks 38.1 Million Euros for Development Cooperation

Belgian Government has earmarked the sum of 38.1 million euros (about RWF 30.0 billion) for specific projects in Rwanda under its development cooperation framework with the country. The projects include animal husbandry, infrastructure development, water projects in Nyaruguru and Gisagara districts, as well as institutional support programme to improve sanitary conditions in Kigali city.

European Airlines Seek TAAG Partnership

Transport Minister, Augusto Tomas, recently disclosed that several European airlines have expressed interest in partnering with TAAG, the Angolan state carrier. The airline, which was barred from flying to the European Union in 2007 for safety related issues, hopes to resume its EU flights later in 2009. Lufthansa, Brussels Air, British Airways and Air France-KLM are among airlines showing interest in TAAG partnership.

Kenya

Burundi

Ghana

Belgium

Angola

JANUARY 26, 2009

World Economy

Government Unveils New Bank Bailout Measures

British Prime Minister, Gordon Brown has unveiled a new bailout package of £100 billion (\$147 billion) designed to stimulate lending and boost stability of the financial system. Under the plan, the British Treasury will set up an insurance program aimed at protecting banks against further losses, as well as guarantee bank assets backed by mortgages and other loans. The new measure is the second bank rescue, following £400 billion stimulus package in 2008, which included £37 billion capital injections to Royal Bank of Scotland, HBOS and Lloyds TSB.

2009 GDP to Contract by 1.9%

A forecast by the European Commission shows that the zone's economy would shrink by 1.9% in 2009, down from an earlier projection of 0.1% growth. Unemployment rate is expected to rise from 7.8% in 2008 to 9.3% and 10% in 2009 and 2010, respectively. Budget deficit would also rise to 4% in 2009 and 4.4% in 2010, up from 1.7% in 2008. The Commission noted that Europe is facing a deep and protracted recession.

Central Bank Leaves Benchmark Rate Unchanged

Bank of Japan (BOJ) left its benchmark interest rate at 0.1% during its Monetary Policy Committee meeting held on January 22, 2009, citing uncertainty in the economy as reason. The bank disclosed plans to buy commercial papers worth about 3 trillion yen to inject liquidity and stimulate lending in the system. Meanwhile, Japan recorded 320.7 billion yen (\$3.60 billion) trade deficit in December 2008, marking a third consecutive month of deficit. Export declined by 35% to 4.83 trillion yen (\$54.3 billion), while imports fell by 21.5% to 5.15 trillion yen (\$57.9 billion) in the same period.

GDP Growth Slows to 6.8%

China's economy grew by 6.8% in Q4 2008, compared to 12.0% and 9.0% in 2007 and Q3 2008, respectively. The on-going global recession has continued to weigh down China's exports which, according to a recent forecast by Fitch, would decline by 6% in 2009.

Central Bank Cuts Benchmark Interest Rate

Brazil's central bank cut its key interest rate by 100 basis points from 13.75% to 12.75% during its meeting of January 21, 2008. This represents the first cut in 16 months. The decision was based on high level of uncertainty in the economy, and need to curtail the downside risks to growth amid signs of economic slowdown. Meanwhile, the apex bank has projected 2009 economic growth at 3.2%, down from 2008 estimated growth of 5.6%.

GDP Growth Forecast Revised

Russia's Economy Ministry has revised its 2009 economic growth forecast from 2.4% GDP growth to 0.2% contraction, due to continuing effects of the global financial crisis. The revised figure shows that the Russia's GDP growth would shrink for the first time since 1998, due to sliding demand for energy and metals (the country's main exports). This shrinkage will continue to weigh down on government's revenue and reserves.

United Kingdom

Eurozone

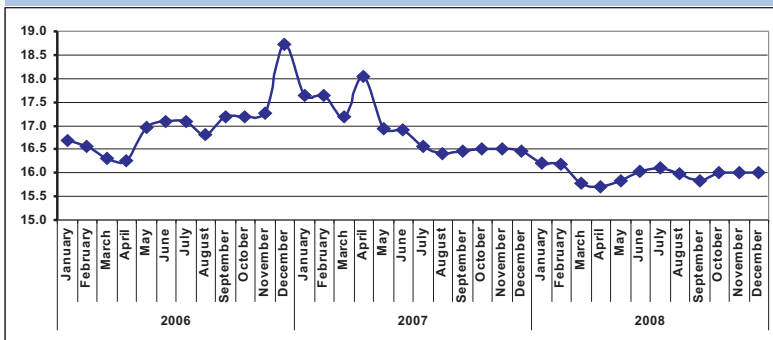
Japan

China

Brazil

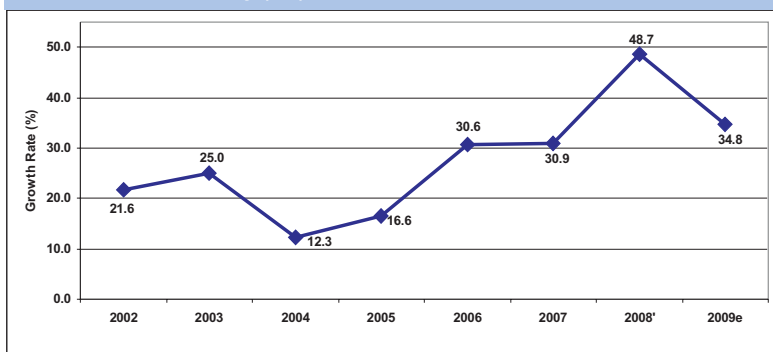
Russia

Chart 19: Prime Lending Rate (Average)



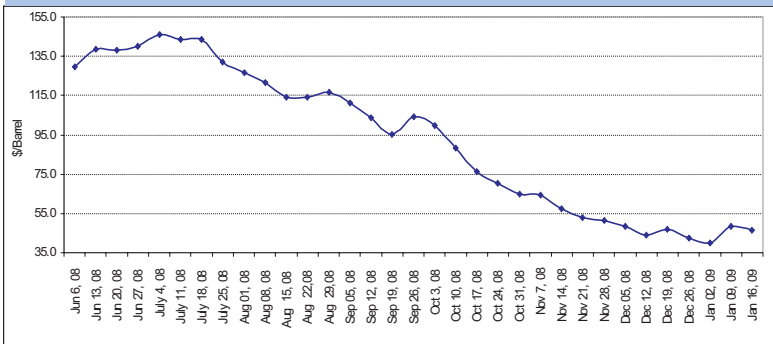
Source: CBN

Chart 20: Broad Money (M2)



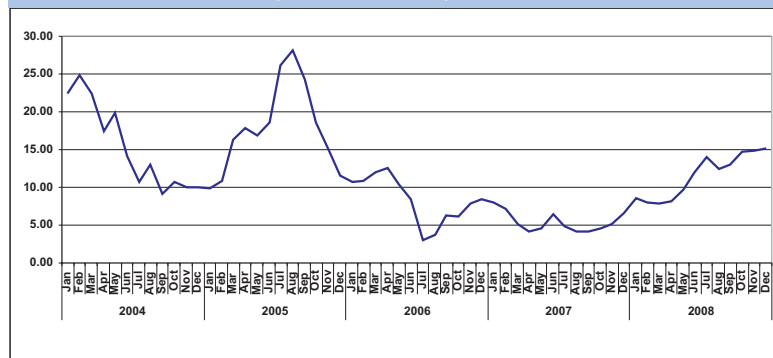
Source: CBN, Access Economic Intelligence Group

Chart 21: Bonny Light (Crude Oil) Prices



Source: Energy Information Administration (EIA)

Chart 22: Inflation Rate (Jan '04 - Dec '08)



Source: NBS

Buzz word...**Panic Selling**

The term 'Panic selling' refers to a wide-scale selling of an investment, causing a sharp decline in price. In most of such instances, investors just want to get out of the investment, with little regard for the price at which they sell. The main problem with panic selling is that investors sell in reaction to pure emotion and fear, rather than evaluate fundamentals. Almost every market crash is a result of panic selling. Most major stock exchanges use trading curbs and halts to limit panic selling, to allow people to digest any information on why the selling is occurring, and to restore some degree of normalcy to the market.

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