

# Weekly Economic & Business Review

JUNE 8, 2009

VOLUME 1 NO 51

## HIGHLIGHTS

### Politics and Policies

- Senate Confirms Sanusi as CBN'S Governor
- Senate Seeks Commission to Monitor EFCC and ICPC
- FG Approves Technical Board for NITEL
- FG to Maintain Ban on Edible Oil
- NAFDAC Sets New Guidelines on Importation

### Economy

- XDS Gets Final Licence to Operate as Credit Bureau
- Crude oil price rose further from \$61.45 per barrel on May 22 to \$68.15 a
- Crude Oil Price Rises to \$68.15 pb
- Investors in Refineries to Get Tax Breaks and Duty Waivers
- FG Orders Oil Companies to Prioritise Gas Supply
- NERC to Unveil New Electricity
- TariffFG to Continue With Cement Imports
- FG to Enforce Ban on Sub-standard Imports
- Akpo Oilfield Commences Operation
- World Energy Demand to Rise by 44%
- SEC Re-opens Eterna's Right Issue

### Market Analysis

The Stock Market | FGN Securities | NIBOR Rates | NIFEX Spot Rates | Inter-bank Rates | LIBOR Rates | Average Deposit and Lending Rates | Foreign Exchange Market

### Business Update

- Main One to Receive \$66 Million from ADB
- Visafone to Invest \$400 Million to Boost Capacity
- Arik Air to Commence Flights to West Coast
- Alliance to Aid Dover in Nigerian Design Work

- Glaxosmithkline's Profit Grows by 46.4%
- Mobil's Profit Grows by 52%
- FTN Cocoa's Profit Grows by 37.3%
- Ashaka Cement's Profit Grows by 31.3%
- Lasaco Assurance Grows Profit by 69.1%
- Dangote Sugar's Profit Grows by 1.8%
- Abbey Building Grows Profit by 224.7%
- Julius Berger's Profit Grows by 38.9%
- Goldman Sachs Divests ICBC Stake

### Regional Development

- Kenya - Inflation Rate Falls to 19.5% | Remittances Falls by 13% in April
- Rwanda - 2009 GDP Growth to Slow
- Mauritius - Trade Deficit to Rise
- Tanzania - Government to Receive \$336 Million in Aids
- Botswana - Government to Receive \$1.5 Billion from ADB

### World Economy

- United Kingdom - BOE Left Benchmark Rate Unchanged
- Eurozone - Inflation at record low, ECB Leaves Key Rate Unchanged
- China - Manufacturing Declines
- Russia - 2009 GDP to Shrink to 6.5%

### Nigeria Economic Indicators

### Buzzword

Dead Cat Bounce

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JUNE 8, 2009

## Politics & Policies

Senate has confirmed the appointment of Lamido Sanusi as Governor, Central Bank of Nigeria (CBN). Sanusi would succeed Prof Chukwuma Soludo whose 5-year tenure ended on May 31, 2009. The new CBN boss, the 10th since the bank's establishment in 1959, has extensive experience in Banking. Until his appointment, Sanusi was the Group Managing Director of First Bank of Nigeria Plc.

Senate has unveiled plans to establish a commission to oversee the activities of the two anti-graft agencies in the country. The decision was hinged on need to ensure strict adherence to due process and ethical standards. However, Senate opposes the merger of the agencies rather canvass for the streamlining their activities to avoid jurisdictional and/or functional overlap. The bodies include Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices and Other Offences Commission (ICPC).

FG has approved the constitution of a 7-man Technical Board of Management for the Nigerian Telecommunications and its mobile phone arm, Mtel. The technical committee would take over the day-to-day administration of the moribund telecoms following revocation of sale of 51% stake of NITEL/M-Tel to Transcorp Plc. FG cited breach of contractual terms as reason for the revocation. Dr. Abubakar Muhammad will serve as Chairman, while members include Christopher Anyanwu, Steve Oronsaye, Ibrahim Kashim and Sam Worlu.

FG has restated its commitment to enforcing the ban on edible oil import to encourage local production. It is expected that the aggressive cultivation of oil palm plantations across the country, would raise production to meet consumption requirements in the near future. The Ministry of Commerce and Industry estimates domestic production at 1.2 million tonnes, while demand is put at about 3.0 million tonnes annually.

National Agency for Food, Drug Administration and Control (NAFDAC) has released new rules and regulations aimed at ensuring products imported into the country comply with approved standards. Under the guidelines, the penalty imposed for import of unregistered products was raised from N1 million to N5 million, while importers of fake/adulterated products would be prosecuted and the products destroyed. However, products which are not registered but meet standards would be confiscated and given to charity.

### ***Senate Confirms Sanusi as CBN'S Governor***

### ***Senate Seeks Commission to Monitor EFCC and ICPC***

### ***FG Approves Technical Board for NITEL***

### ***FG to Maintain Ban on Edible Oil***

### ***NAFDAC Sets New Guidelines on Importation***

JUNE 8, 2009

## Economy

Central Bank of Nigeria (CBN) has granted final operational license to XDS Credit Bureau Ltd to operate as a credit bureau in Nigeria. Credit bureaux manage data bases on the borrowing history of individuals and institutions, which are then shared with lending institutions, such as banks, to aid lending decisions.

Crude oil price rose further from \$61.45 per barrel on May 22 to \$68.15 a barrel (a 7-month high) on June 5, 2009 following stronger equity markets growth, a weaker dollar and Chinese manufacturing data. The rise was also attributed to relative stability in US unemployment figure. Oil price has risen by 101.3% from \$33.87 pb on December 19, 2008 (a 5-year low), after reaching a record high of \$147.27 in Q3 2008. The recent surge in oil price at the international market is well above FG's 2009 budget crude oil benchmark price (\$45 pb).

FG has disclosed plans to grant 5-year tax holidays to companies which invest in new refineries. Government also plans to waive duty payments for such investors, details of which are yet to be finalised. The objective of the initiative is to encourage investments in refinery. Meanwhile, Amakpe Refinery - the 1st private refinery - is expected to be completed in October 2009. The 12,000 barrel per day facility is being built at the cost of \$43.7 million.

FG has ordered major oil companies operating in the country to give more priority to domestic gas supply rather than exports. The aim is to boost gas availability to power plants of various Independent Power Projects across the country. Consequently, Government has suspended all gas projects designed to enhance Nigeria's export. Trans-Saharan Gas Project and Floating Liquefied Natural Gas Project are among projects likely to be affected by the directive.

Nigerian Electricity Regulatory Commission (NERC) has disclosed plans to review electricity tariff paid by consumers across the country. The revision was based on prevailing economic indices such as exchange rate, cost of gas for thermal power stations and other inputs which determine unit cost of producing electricity. FG, through the NERC, currently adopt the Multi-year Tariff Order (MYTO) which commenced in July 2008 and is expected to be discarded by 2011. Under the MYTO, Nigerians pay N6 per kilowatt hour of electricity while FG pays the balance N5 (by way of subsidy) out of the current tariff of N11 per kilowatt hour.

FG has disclosed plans to continue importation of cement into the country. Although, government plans to protect local industries, the ban on importation of cement was lifted to protect consumers against unfair prices. FG granted import licences to some firms in 2008 to bridge the gap between demand and supply of cement in the country, and reduce the costs for consumers.

FG and Chinese Governments are finalising arrangement to fully enforce the ban on importation of substandard goods into Nigeria through certification and surveillance. There are also plans to strengthen the Nigeria Customs Service and Standards Organisation of Nigeria for more efficient performance.

Total Exploration and Production has commissioned its Akpo deepwater facilities offshore Nigeria. The field is located in Port Harcourt, Nigeria, and consists of 22 producing wells and 2 gas-injection wells, tied to a floating vessel. Akpo oilfield project is expected to produce 175,000 b/d and 225,000 b/d of crude oil by end-2009 and 2010, respectively, as well as enhance collection of associated gas. Total holds a 24% interest in the project and is the operator. Other partners are NNPC, Petrobras, Chinese NOC, China National

### ***XDS Gets Final Licence to Operate as Credit Bureau***

### ***Crude Oil Price Rises to \$68.15 pb***

### ***Investors in Refineries to Get Tax Breaks and Duty Waivers***

### ***FG Orders Oil Companies to Prioritise Gas Supply***

### ***NERC to Unveil New Electricity Tariff***

### ***FG to Continue With Cement Imports***

### ***FG to Enforce Ban on Sub-standard Imports***

### ***Akpo Oilfield Commences Operation***

JUNE 8, 2009

## Economy

Offshore Oil Corp Ltd, and South Atlantic Petroleum.

A recent Energy Information Agency (EIA) report shows that global energy demand is expected to rise by 44% over the next two decades. Specifically, Oil demand is expected to reach 107 million barrels per day (mbpd), up from current average of 84 mbpd and would account for 32% of world's energy supply by 2030. The forecast was based on anticipated global economic recovery in 2010 from current meltdown. The agency stated that the current recession which has dampened world demand for energy is traceable to dwindling demand for exports, consequently as trade picks up so will demand for energy. EIA also projected that by 2030, world production of unconventional petroleum resources, including oil sands, extra heavy oil and coal-to-liquids will quadruple to 13.4 million bpd, representing 13% of total global petroleum supplies.

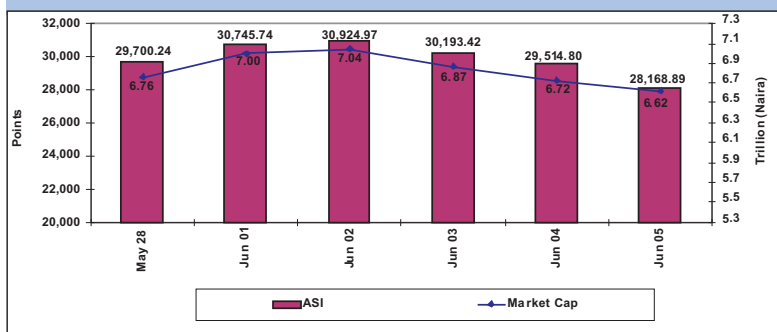
Security and Exchange Commission (SEC) has directed Eterna Plc to re-open its just concluded offer. The directive was hinged on shareholders complaint of non-receipt of rights circular. The offer deadline has been extended to June 12th, 2009. Eterna had commenced hybrid offer on April 22nd April 30 to raise N8.8 billion to procure key distributive facilities, upgrade existing key coastal & inland product storage terminals, as well as acquire Chanchangi aviation fuel depot.

***World Energy Demand to Rise by 44%******SEC Re-opens Eterna's Right Issue***

**The Stock Market**

Activities in the Nigerian stock market closed on a negative note in the week review as the ASI and market capitalization (MC) declined by 5.44% and 2.12% to 28,168.89 and N6.62 trillion from the previous week, respectively. This decline, which was attributed to profit takings by investors, overturned the impressive bullish trend of recent weeks. ASI and MC have fallen by 10.44% and 4.88%, respectively from 31,450.78 points and N6.96 trillion recorded at year-start. We expect the bullish run to return in the current week due to renewed market sentiments in the Nigerian stock exchange.

Chart 1: Stock Market - 1 Week Trend



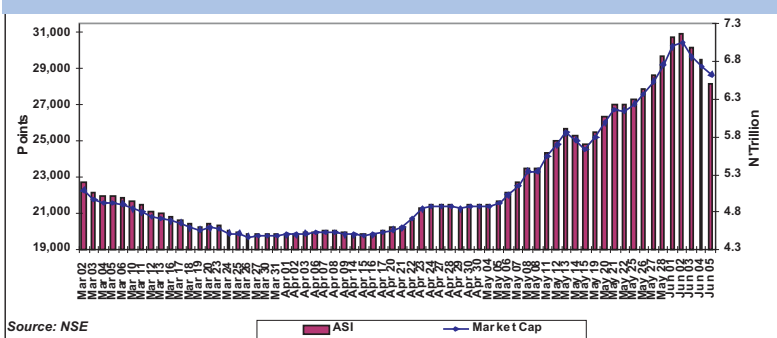
Source: NSE

Table 1: Stock Market at a Glance

	Last Week	Previous Week	1 Week Change	Ytd Change
ASI	28,168.89	29,700.24	(5.44)	(10.44)
Market Cap (N'trillion)	6.62	6.76	(2.12)	(4.88)
Volume (million)	3.00	1.82	64.84	-
Turnover (N'billion)	26.90	13.42	100.45	-

Source: NSE

Chart 2 : Stock Market

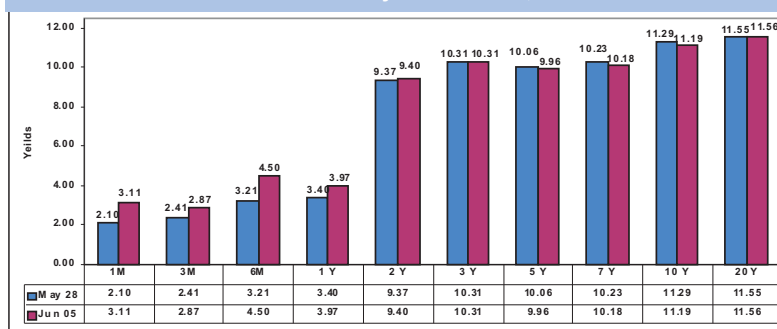


Source: NSE

**FGN Securities**

Yields on bonds were generally stable during the week under review, while yields on shorter instruments rose across all maturities. Given that there would be no major cash inflow this week, we expect the market to be tight and yields' to rise.

Chart 3: FGN Securities Yield - May 28 vs Jun 05, 2009



Source: FDHL

**NIBOR Rates**

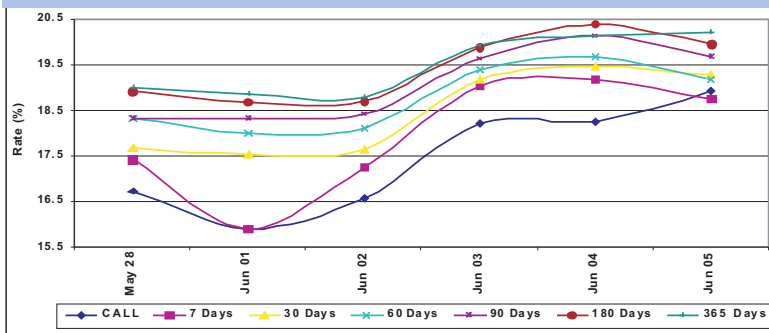
Liquidity situation in the money market remained tight last week leading to rise in rates across all tenors. The tight liquidity situation was buoyed by N200 cash outflows to foreign exchange purchases and investment in treasury bills/bonds. Rates went upward also due to repayments on matured borrowings at the CBN's Expanded Discount Window which drained liquidity from the system. Given that there would be no considerable fresh cash inflows in the current week, we expect interest rates to climb even higher.

Table 2: NIBOR Rates

Date	Tenor						
	CALL	7 Day	30 Day	60 Day	90 Day	180 Day	365 Day
Jun 01	15.9167	15.9167	17.5417	18.0000	18.3333	18.6667	18.8750
Jun 02	16.5833	17.2500	17.6500	18.1250	18.4167	18.7083	18.7917
Jun 03	18.2083	19.0333	19.1667	19.3750	19.6250	19.8750	19.9167
Jun 04	18.2500	19.1667	19.4583	19.6667	20.1250	20.3750	20.1250
Jun 05	18.9167	18.7500	19.2917	19.1667	19.6900	19.9367	20.2083

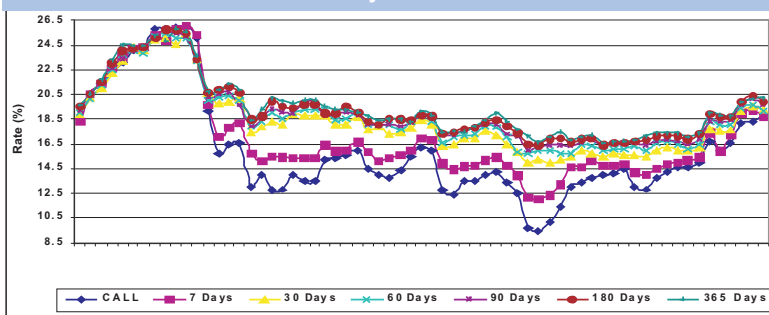
Source: FDHL

Chart 4: NIBOR Rates - 1 Week Trend



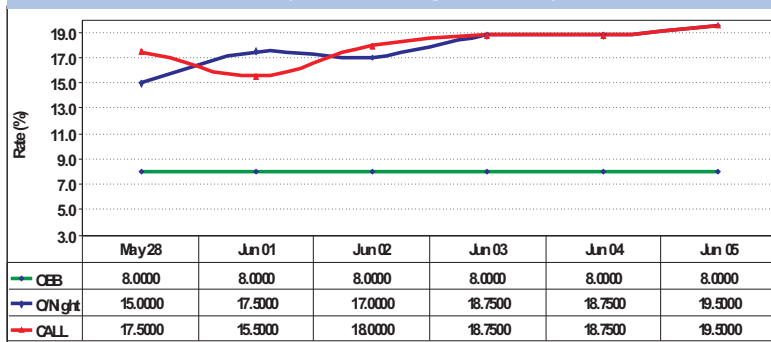
Source: FDHL

Chart 5: NIBOR Rates - Trend Analysis



Source: FDHL

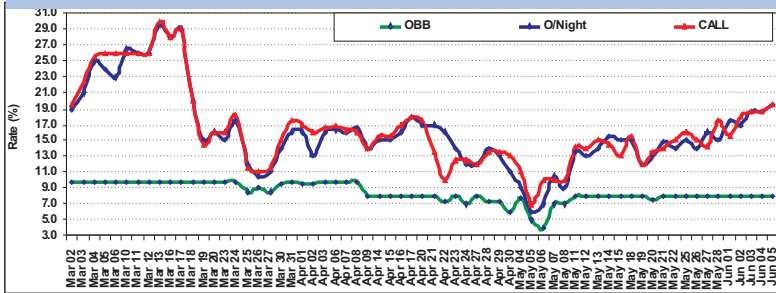
Chart 6: Inter-bank Rates (OBB, Over-Night and Call) 1 Week Trend



Source: FDHL

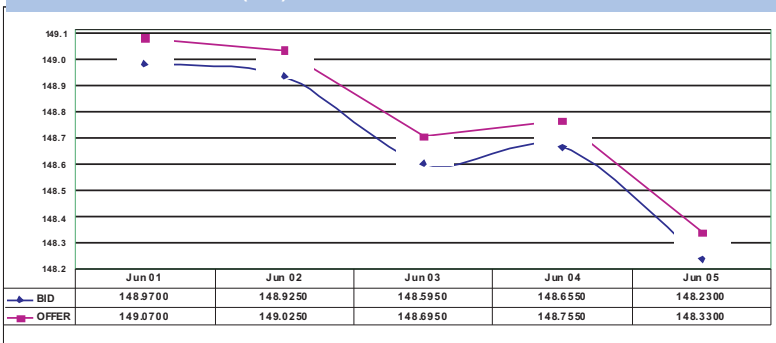
Inter bank Rates

Chart 7: Inter-bank Rates (OBB, Over-Night and Call) - Trend Analysis



Source: FDHL

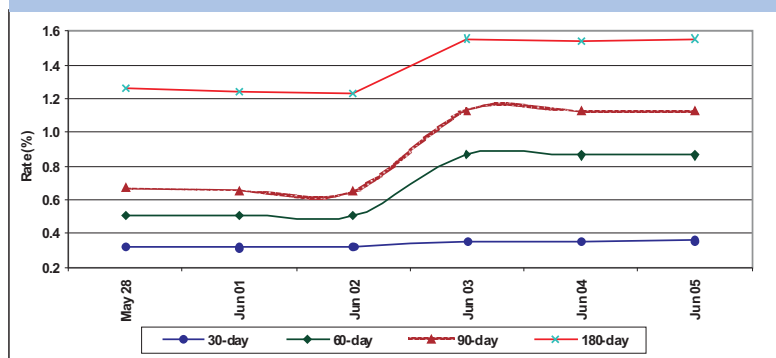
Chart 8: NIFEX Rates (N/\$)



Source: FDHL

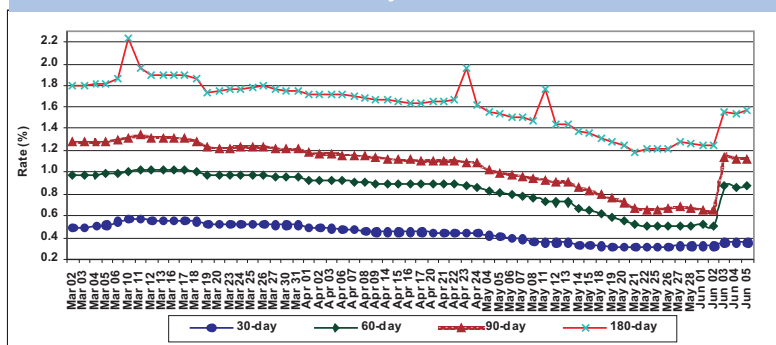
LIBOR Rates

Chart 9: LIBOR Rates - 1 Week Trend



Source: Money Market Association of Nigeria

Chart 10: LIBOR Rates - Trend Analysis

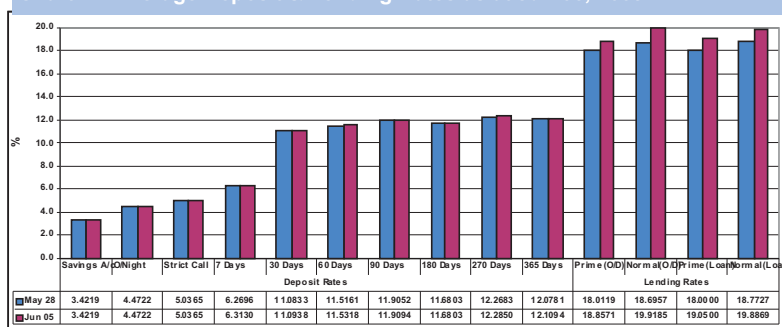


Source: Money Market Association of Nigeria

**Average Deposit and Lending Rates**

Average deposit rates rose across all tenors, except savings accounts, over night, strict call and 180 days interest rates which were remained unchanged from last week. Lending rates also rose across all loans categories. The rise deposit rates may be attributed to recent tightness in money market and the need to attract deposit, while lending rose on account of increment in cost of funds. However, we expect rates to hover around the CBN benchmark of 15% and 22% for deposit and lending rates, respectively in the current week.

Chart 11: Average Deposit & Lending Rates as at Jun 05, 2009



Source: Money Market Association of Nigeria

**Foreign Exchange Market** The value of the Naira viza-viz the US dollar depreciated across all segment of the market. Naira's value depreciated by N0.04 kobo as at June 5, while it declined in BDC and parallel markets by N0.76 kobo and N3.5 kobo, respectively as at June 2. Though rates depreciated across the markets, we expect a short-term loss of value of the Naira, but would begin to appreciate thereafter in response to CBN's FX control easing. The recent jump in crude oil prices would also boost government's revenue and addition to foreign reserves, which ultimately would help to prop-up the value of the Naira.

Table 3: Exchange Rates (N/\$)

Market	May 28	June 05	1 Month Ago
Official	146.70	146.74	149.82
Inter-bank	-	148.33	148.72 (as at Feb 10, 2009)
BDC	150.34	151.10 **	150.10
Parallel	162.50	166.00 **	172.00

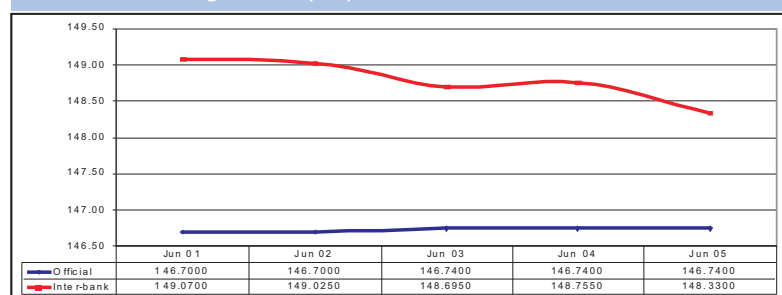
Source: CBN & FDHL

Table 4: Exchange Rates against Major Currencies Official Market

Date	N/\$	N/£	N/€
Jun 01	146.7000	240.2213	208.3580
Jun 02	146.7000	241.0838	209.2822
Jun 03	146.7400	242.1503	208.4588
Jun 04	146.7400	237.3520	206.6393
Jun 05	146.7400	237.3520	206.6393

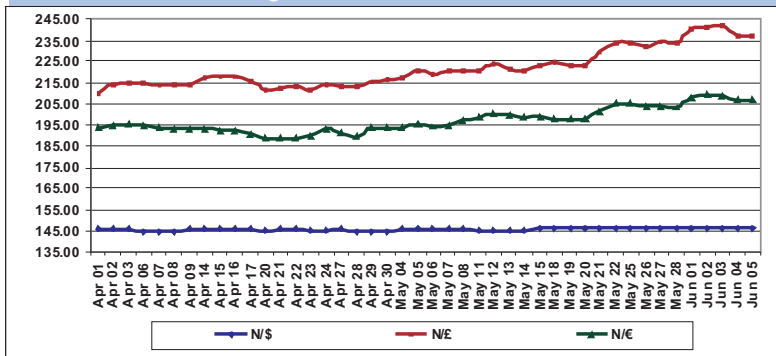
Source: CBN

Chart 12: Exchange Rates (N/\$)



Source: CBN & FDHL

Chart 13: Naira Exchange Rates



Source: CBN

JUNE 8, 2009

## Business Update

African Development Bank (ADB) has disclosed plans to disburse the sum of \$66 million to Main One Cable Company for the deployment of a sub-marine fibre optic cable along the West African coast. The project, which involves 14,000 kilometre (km) undersea cable system worth 240 million, is expected to run from Portugal (interconnect with other cable systems in London, New York and key cities in Asia) to landing stations in Accra and Lagos. Main One will compete with NITEL's SAT3 and Globacom (proposing).

Visafone, Nigeria's fourth largest mobile operator has disclosed plans to invest the sum of \$400 million over a 2-year period to improve service quality on its network. The company, with a subscriber base of 2.9 million, plans to build a fibre optic backbone and deploy latest version of online charging system, as well as upgrade its core switch capacity to support 6 million subscribers in its network in the next six months.

Arik Air, a Nigerian-based airline, has unveiled plans to commence flight operations to other West African countries. The expansion is part of strategy to position itself to benefit from the growing economic relations and the countries include Banjul and Dakar. Arik Air is currently Sierra Leone's national carrier and recently obtained licence to operate direct flights from Lagos to Johannesburg. Arik Air also operates direct flight operations from Lagos to London with plans to extend its flight operations to Niger Republic, Angola and the US by end-2009.

Alliance Engineering, an international energy services company, has signed a 3-year period 'master services agreement' with Dover Engineering to provide various support services for offshore oil and gas projects in Nigeria. Dover Engineering currently designs Total Upstream Nigeria's offshore projects.

Glaxosmithkline Cons Plc has reported Q1 2009 profit after tax (PAT) of N593.9 million, representing a 46.4% increase over N405.9 million recorded in the corresponding period of 2008. Turnover also grew by 30.5% from N2.9 billion to N3.9 billion during the same period.

Mobil Oil Nigeria Plc has reported profit after tax (PAT) of N1.7 billion for its 2008 FY operations, representing a 52% increase over amount recorded in the corresponding period of 2007. Turnover also grew by 22% to N66.7 billion during the year. Mobil attributed the stellar performance to its strategic initiatives in retails chain management, organisation restructuring, as well as investment in new technology. Meanwhile, the Board of Directors has recommended a dividend payment of N5.0 per share and a bonus issue of 1:4 shares held.

Shareholders of FTN Cocoa Processors Plc has approved a dividend payment of 3.5 kobo per share for its 2008 FY operations, marking a 40% increase over dividend declared in 2007. Profit after tax (PAT) rose by 37.3% from N142.8 million to N196.0 million, while gross income grew from N483.8 million to N1.2 billion during the same period.

Ashaka Cement Plc has reported a profit after tax (PAT) of N2.1 billion for its 2008 FY operations, representing a 31.3% increase over N1.6 billion recorded in 2007. Turnover also grew by 29.7% from N16.5 billion to N21.4 billion during the same period. Meanwhile, the Board of Directors has recommended a dividend of N0.30 kobo per share.

Lasaco Assurance Plc has reported Q1 2009 profit after tax (PAT) of N394.3 million, representing a 69.1% increase over N233.2 million recorded in 2008. However, turnover declined by 50.0% from N2.2 billion to N1.1 billion during the same period.

Dangote Sugar Refinery Plc, Nigeria's largest sugar refinery, has reported a profit after tax (PAT) of N21.9 billion (\$149.04 million) for its 2008 FY operations, representing a 1.8% increase over N21.5 billion recorded in 2007. Turnover also grew by 0.03% from N80.649 billion to N80.671 billion during the same period. Meanwhile, the Board of Directors has recommended a dividend of N0.35 kobo per share.

Abbey Building Society Plc has reported a Q2 2009 (April 30th 2009) profit after tax of N287.7 million, representing a 224.7% increase over N88.6 million recorded in the corresponding period of 2008. Turnover also grew by 74.3% from N422.5 million to N736.3 million during the period.

Julius Berger Nigeria Plc has reported a profit after tax (PAT) of N2.5 billion for its 2008 FY operations, representing a 38.9% increase over N1.8 billion recorded in 2007. Turnover also grew by 44.1% from N79.1 billion to N114.0 billion during the period. Meanwhile, the Board of Directors has recommended a dividend of N1.75 kobo per share.

Goldman Sachs, fifth largest US bank, has divested 0.9% of its shareholdings in Industrial and Commercial Bank of China following expiration of a 3-year lockup arrangement. The bank sold 3.03 billion shares at HK\$4.88 each. Goldman Sachs has also agreed to hold 80% of its 16.5 billion shares until April 2010. The bank is not under immense pressure to boost capital following US regulators financial stress test which assessed banks' resilience to further shocks. US and European banks have sold over \$10 billion of shares in the China's biggest commercial bank since 2009 year-start to bolster their capital.

**Main One to Receive  
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**Visafone to Invest \$400 Million  
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**Goldman Sachs Divests  
ICBC Stake**

JUNE 8, 2009

## Regional Developments

### **Inflation Rate Falls to 19.5%**

Data from the National Bureau of Statistics show that consumer price inflation declined from 26.1% in April 2009 to 19.5% in May. The decline was attributed to fall food and fuel costs. Food, which make up 50.5% of the CPI, and fuel prices declined by 2.6% and 1.0%, respectively. Core inflation, which excludes food prices, also fell by from 8.2% to 7.0% in the same period.

### **Remittances Falls by 13% in April**

Recent data from Central Bank of Kenya show that remittances to the country declined by 13% to \$48.12 million in April 2009. Remittance in the first four months of 2009 also declined by 15% to \$196.37 million.

### **2009 GDP Growth to Slow**

International Monetary Fund (IMF) has projected that Rwanda's economic growth would slow down to 5.3% in both 2009 and 2010, down from 11.2% growth in 2008. The declining growth outlook was attributed to the impact of the on-going global economic recession. However, the Fund also forecast the annual inflation rate would decline to single digits in the 2H 2009. Rwanda's inflation rate was 13.64% in April.

### **Trade Deficit to Rise**

A recent forecast by the Mauritius Government shows that the country's current account deficit would widen to 12.6% of GDP in 2009, compared to 10.4% recorded in 2008. Balance of payments (BOP) is expected to contract to a deficit from a 4.6 billion rupees surplus in 2008.

### **Government to Receive \$336 Million in Aids**

International Monetary Fund (IMF) Board has approved the sum of \$336 million loan for Tanzania to cushion its economy from the impact of the on-going global economic crisis. The loan was granted under the Funds' Exogenous Shocks Facility and the proceed is expected to bolster Tanzania's foreign reserves and support its BOP, undermined by a 26% decline in the price of cotton, a major export, and by a severe downturn in tourism and FDI.

### **Government to Receive \$1.5 Billion**

Botswana, the world's largest diamond producer, has secured a \$1.5 billion loan from the African Development Bank (ADB) following dwindling demand for its major exports. The country, which has recorded budget surpluses for 5 consecutive fiscal years, has continued to be challenged by the impact of the global economic recession resulting in dwindling demand for commodities and, consequently, government revenues. The fund is expected to finance Botswana's fiscal deficit which has been projected to reach 13.5% of GDP in the current 2009/10 fiscal year.

### *Kenya*

### *Rwanda*

### *Mauritius*

### *Tanzania*

### *Botswana*

JUNE 8, 2009

## World Economy

### **BOE Left Benchmark Rate Unchanged**

Bank of England (BOE) kept its benchmark rate unchanged at a record low of 0.5% during its Monetary Policy Committee meeting held on May 4, 2009 and decided to continue its £125 billion quantitative (monetary policy) easing program. BOE Governor, Mervyn King has hinted that economic recovery would be hampered by the on-going reluctance of banks to lend to consumers and businesses.

### **Inflation at record low, ECB Leaves Key Rate Unchanged**

A preliminary report from the Eurostat shows that inflation rate declined further from 0.6% in April 2009 to 0.0% in May, marking the lowest level since record began in 1997. The decline was attributed to retreat of world oil prices and the worsening economic situation. Meanwhile, European Central Bank (ECB) has left its benchmark interest rate unchanged at 1.0% during its Monetary Policy Committee meeting held on May 4, 2009. The apex bank has commenced bond purchase worth €60 billion to boost the credit market.

### **Manufacturing Declines**

China's Purchasing Managers' Index (an indicator of manufacturing sector performance) declined from 53.5 in April 2009 to 53.1 in May. Though the decline, PMI has rebounded above 50.0 for three consecutive month since July 2008. A reading above 50 suggests expansion, while one below 50 indicates contraction.

### **2009 GDP to Shrink to 6.5%**

A recent International Monetary Fund (IMF) forecast shows that the Russian economy would contract by 6.5% and stagnate in 2009 and 2010, respectively. The projection was based on challenges posed by dwindling capital inflow and Government default on \$40 billion debt. IMF earlier projected that the economy would contract 6.0% in 2009 and expands 0.5% in 2010. Russian GDP contracted by 9.8% year-on-year in the first four months in 2009. Meanwhile, Russia's central bank has cut its key policy rate by 50 basis points - the 3rd in 6 weeks from 12.0% to 11.5% to boost economic growth.

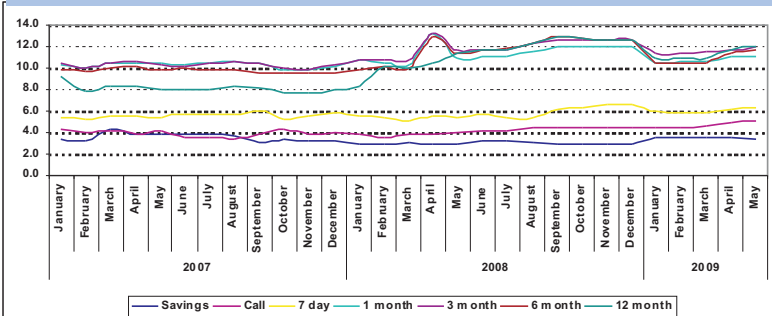
### *United Kingdom*

### *Eurozone*

### *China*

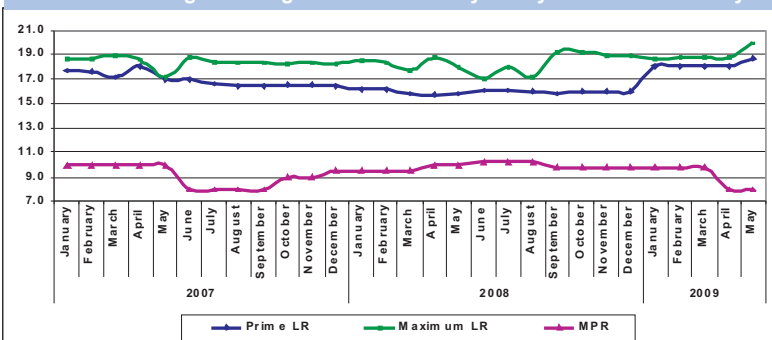
### *Russia*

Chart 14: Average Deposit Rates - Trend Analysis



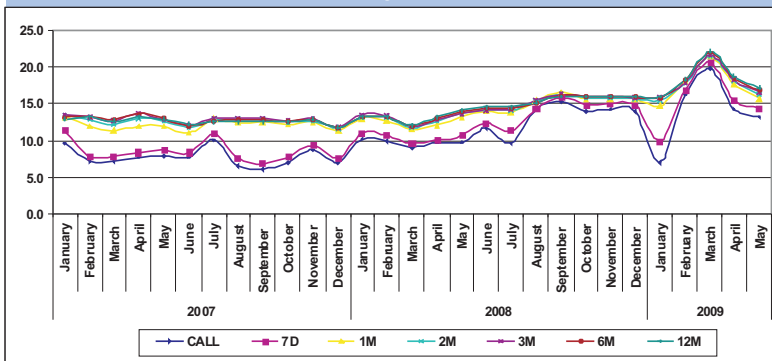
Source: FDHL & Money Market Association of Nigeria

Chart 15: Average Lending Rates vs Monetary Policy Rates - Trend Analysis



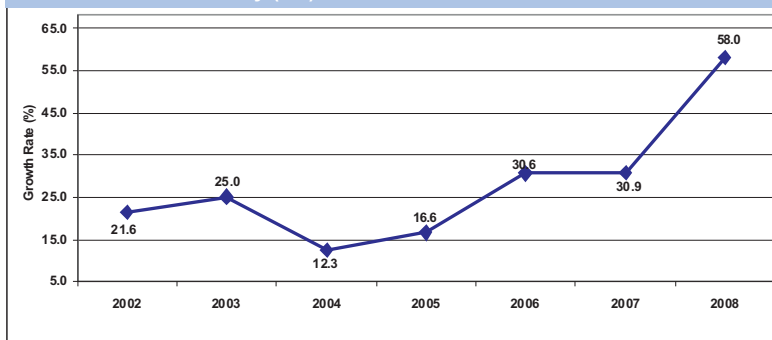
Source: CBN, FDHL & Money Market Association of Nigeria

Chart 16: NIBOR Rates - Trend Analysis



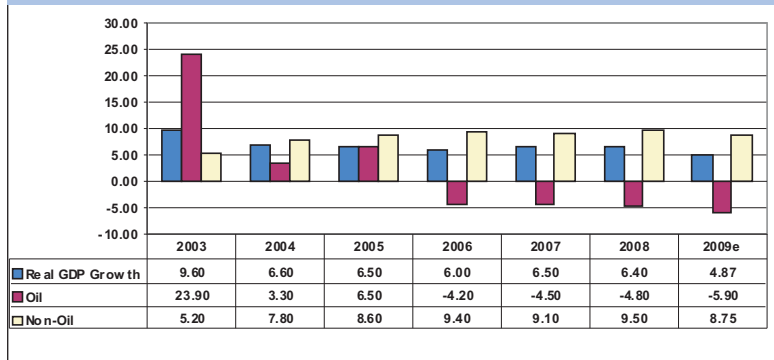
Source: FDHL & Money Market Association of Nigeria

Chart 17: Broad Money (M2)



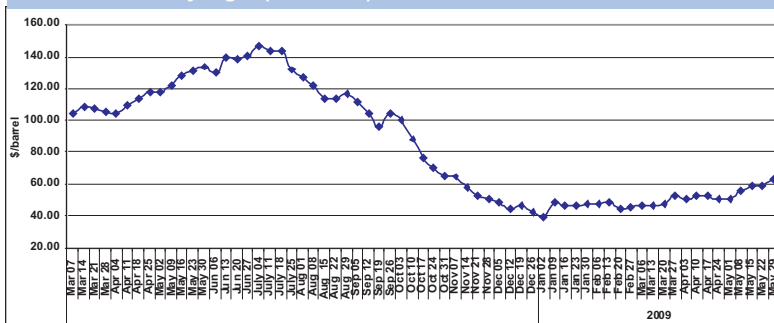
Source: CBN

Chart 18: Real GDP Growth Rates



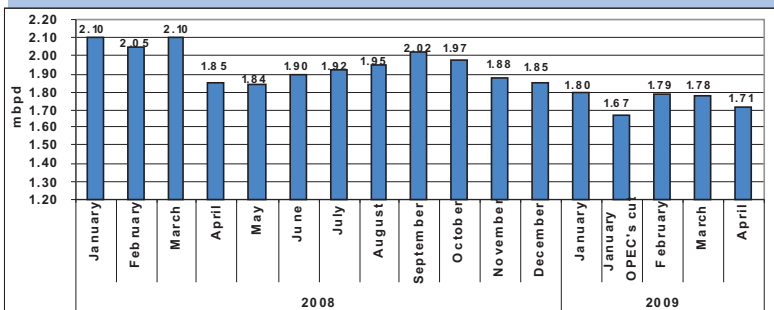
Source: CBN

Chart 19: Bonny Light (Crude Oil) Prices



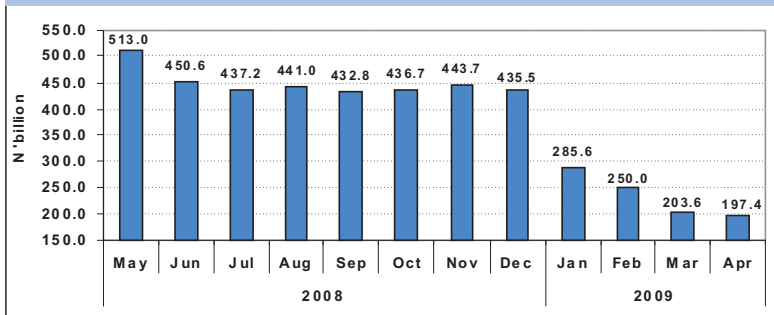
Source: Energy Information Administration (EIA)

Chart 20: Crude Oil Production



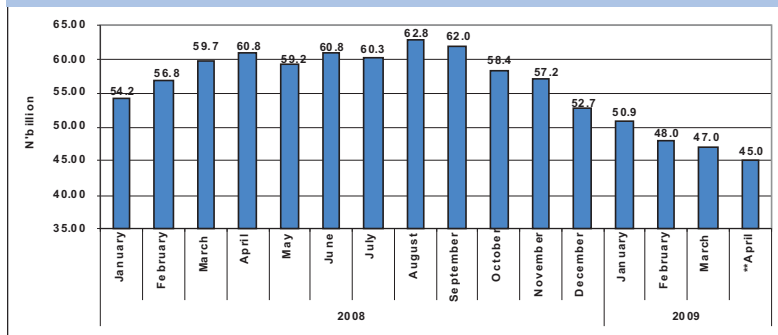
Source: OPEC

Chart 21: FAAC Allocations



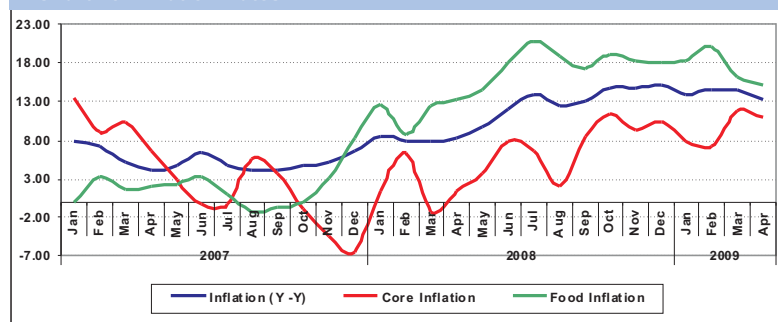
Source: Min. of Finance

Chart 22: External Reserves



Source: CBN

Chart 23: Inflation Rates



Source: NBS

Buzz word...

Dead cat bounce

A dead cat bounce is a recovery in the price of a security (usually a share) that does not indicate any sustained recovery or a significant re-rating. In other words, dead cat bounce denotes a small and temporary recovery in a financial market following a large fall. It is a recovery from a very low level to a higher level that is still low by historical standards and is usually seen with the benefit of hindsight. If the stock starts to fall again in the following days and weeks, then it was a true dead cat bounce. If the market starts to climb again after the first short bounce, then the continued rise in the security price would be considered a trend reversal and not a dead cat bounce.

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