

Weekly Economic & Business Review

MARCH 02, 2009

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- FG to Upgrade 4 Hospitals to International Standard
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Nigeria Economic Indicators

Buzzword

Quantitative Easing

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Politics & Policies

A bill to amend the Economic and Financial Crimes Commission (EFCC) Act has passed through second reading in the Senate. Under the amendment, the Commission would be given financial independence, as well as conferred with full powers to prosecute indicted persons without recourse to the Attorney-General of the Federation (AGF) for approval. In addition, the new EFCC Act would ensure that the appointment and removal of the Chief Executive of the Commission is approved by the Senate.

House of Representatives has inaugurated a 19-man advisory committee on the planned review of the 1999 Constitution. The Committee is expected to identify areas of the constitution which require amendment, and was given one week to submit its recommendations to the House Joint Committee on Constitution Review (JCCR). Members of the committee include: Farouk Lawan, John Agoda, C.I.D. Maduabum, Mrs. Abike Dabiri-Erewa, Leo Ogor, Bala Ibn Na'Alla, Abdul Ningi, Oleka Nwogu, Henry Dickson, Ita Enang and Chile Igbawuo.

FG has forwarded a bill to the National Assembly seeking to amend the Land Use Act by reducing the need for Governors' consent on land transactions. The amendment, if passed, would render such consent unnecessary for mortgages, subleases and other land transfers, thereby, making transactions in land less cumbersome and help facilitate economic activities. The new law would restrict the need for consent to assignments only.

On February 23, 2008, the Court of Appeal in Benin City declared Olusegun Mimiko of Labour Party (LP) winner of the April 14, 2007 gubernatorial election in Ondo State. Olusegun Agagu had earlier filed an appeal against the judgment of Ondo State Election Petitions Tribunal of July 25, 2008, which annulled his election and declared the Labour Party governorship candidate the winner. Mimiko has since been sworn-in as Governor of the state.

Nigeria and the United Nations Industrial Development Organisation (UNIDO) have signed a Memorandum of Understanding (MoU) to further promote industrial development in Nigeria. The agreement would focus on 3 key areas namely: poverty reduction via productive activities, trade capacity building, as well as energy and environment. Total costs for the programme is estimated at about \$21 million, of which FG is expected to make available \$10.4 million (representing 49.5%).

Senate Moves to Empower EFCC

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FG has unveiled new measures to stimulate the economy and mitigate the effects of the current global economic meltdown on the country. The measures include a 5% excise duty cut on all locally-produced goods (except cigarettes and alcohol) to lessen the burden on local manufacturers. Government also endorsed the full deregulation of the downstream sector of the oil industry, reduction of diesel price to N65 per litre, reduction of capital market charges, and immediate privatisation of refineries. In addition, a general licence would be opened for anyone seeking to import petroleum products, as well as conduct a full scale 'State of Health' investigation of commercial banks.

Nigerian National Petroleum Corporation (NNPC) has disclosed plans to review all project agreements with key partners in the oil sector. The review was necessitated by constraints in funding prime projects as a result of the global economic crunch and dwindling government revenue.

A consortium of companies, which operates the Aje oil field with Oil Mining Licence 113 (OML 113) offshore Lagos, has confirmed the discovery of commercial quantity. The consortium consists of Yinka Folawiyo Petroleum Company Ltd (operator), Chevron Nigeria Deepwater H Ltd (technical adviser), Providence, Vitol Exploration Nigeria Ltd AND Energy Equity Resources Aje Ltd.

Nigerian Communications Commission (NCC) has disclosed plans to deploy broadband services across the country's 36 states by end-2009. The objective of the project is to improve multimedia and internet services, as well as data downloads. The first phase of the project would cover the 36 state capitals and headquarters.

National Economic Council (NEC) has approved the sum of N323 billion for immediate release to the Ministry of Power to fast-track power sector projects across the country. The projects include those at Papalanto, Omotosho, Sapele and Ala-Oji, among others and investment is expected to cover power generation and distributions. FG and States Governments had agreed in 2008 to contribute the sum of \$5.3 billion from the Excess Crude Account towards improving power supply in the country. Recall FG plan to achieve target of 6,000 megawatts (mw) of electricity by December 2009.

FG has indicated plans to upgrade 4 hospitals across the country to international standards. The hospitals are University Teaching Hospital, Enugu; Ahmadu Bello University Teaching Hospital, Zaria; University Teaching Hospital, Ibadan; and the National Hospital, Abuja. An 8-man advisory committee, headed by Prof Tayo Sokambi, has been inaugurated to provide a framework for the upgrade.

Bayelsa State House of Assembly has passed N191.8 billion 2009 budget into law, representing 19.3% increase from N160.8 billion forwarded to the Assembly for consideration. The sums proposed for capital expenditure and recurrent expenditure were increased by 31.7% and 1.8% to N123.7 billion and N68.1 billion, respectively.

Economic Community of West African States (ECOWAS), in partnership with the African Development Bank (ADB), has disclosed plans to construct a N52 billion (\$455 million) highway connecting Nigeria and Cameroun. The Highway is designed to link ECOWAS to Central Africa and construction is expected to commence in 2009. The road would run from Enugu, through Abakaliki, to Bamenda in Cameroun.

Central Bank of Nigeria (CBN) has unveiled new guidelines for Bureaux de Change (BDCs) to enhance supervision of their operations. Under the new policy, the Bureaux are to operate under two types - Class A and Class B licenses. Requirements for Class A operators include a minimum paid up capital of N500 million and \$200,000 non-interest bearing mandatory deposit with CBN. Category A operators are allowed to trade in forex sales and purchases, pre-paid cards, traveler's cheque, as well as money transfers. On the other hand, Bureaux which do not upgrade would operate as Class B operators. This class can only trade in forex, with sales limited to a maximum of \$5,000 per transaction.

CBN has trimmed foreign exchange (forex) sold to Bureaux De Change (BDCs) operators by 70% from \$100,000 to \$30,000. BDCs operators are uncertain regarding CBN stance, wondering if the apex bank would stop supplying them forex as it is with global practice. Earlier oil and oil services companies, Shippers Council and other Government agencies have been directed to sell forex receipts to CBN only.

Economy

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NNPC to Review Project Costs

Oil Discovered in Commercial Quantity in Lagos

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FG to Upgrade 4 Hospitals to International Standard

Bayelsa Assembly Passes N191.8 Billion 2009 Budget

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CBN Rolls-out New Guidelines for BDCs

CBN Cuts Forex Supply by 70%

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Economy

FG has approved the sum of N6 billion as a special intervention fund to boost agricultural development and productivity. The fund would be accessible to all researchers and is expected to be operated by the Agricultural Research Council of Nigeria. The initiative would complement other measures taken to re-position the agricultural sector, including extension services, highly subsidised improved seedlings, agricultural credit guarantee scheme, and CBN's proposed N250 billion agriculture financing bond.

FG, through the Federal Aviation Authority of Nigeria (FAAN), has issued a 2-week ultimatum with effect from February 26, 2009 to airlines operating in the country to settle indebtedness or have their operations grounded. The airlines which include domestic, European and Asian carriers incurred N8 billion debts, in form of landing and parking fees, services provided by Nigerian Airspace Management Agency (NAMA), and other aeronautical charges.

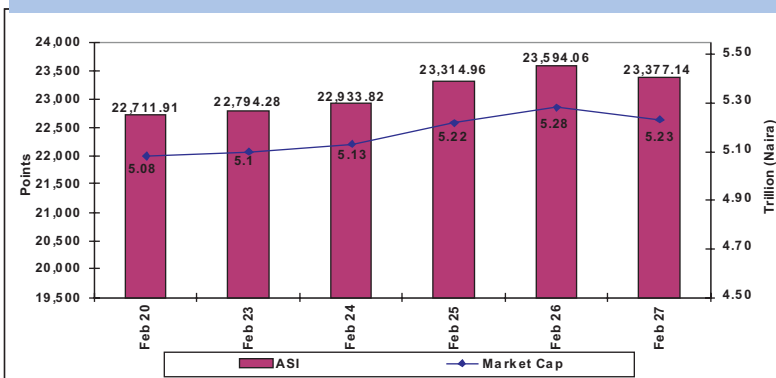
FG Approves N6 Billion for Research Institutes

FG Moves to Ground Debtor Airlines

The Stock Market

Activities in the stock market improved as the ASI and market capitalization increased by 2.93% and 2.98% from 22,711.91 and N5.081trn in the previous week to 23,377.14 and N5.232trn respectively. The increase was attributed to the gains recorded in the banking, insurance and food /beverage sub-sectors. The reversal in the bearish trend experienced last week was due to FG's willingness to intervene in the stock market when the need arises. Given the boost in investors' confidence we expect this improvement to continue in the current week.

Chart 1: Stock Market - 1 Week Trend



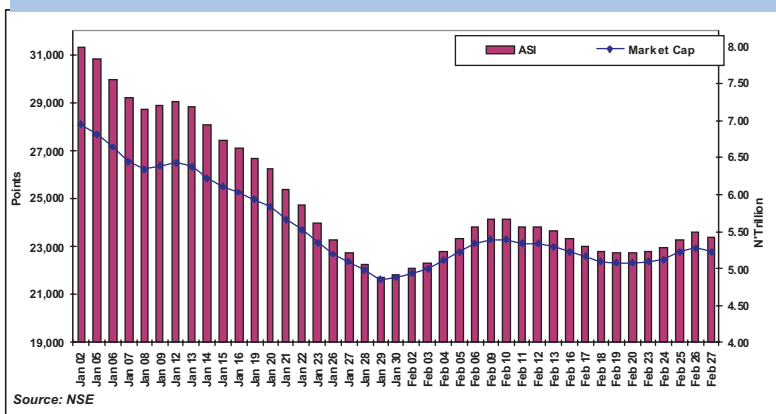
Source: NSE

Table 1: Stock Market at a Glance

	Last Week	Previous Week	1 Week Change (%)	Ytd Change (%)
ASI	23,377.14	22,711.91	2.93	(25.67)
Market Cap (N'trillion)	5.23	5.08	2.95	(23.42)
Volume (million)	1.54	1.53	0.37	-
Turnover (N'billion)	10.52	7.67	37.14	-

Source: NSE

Chart 2 : Stock Market

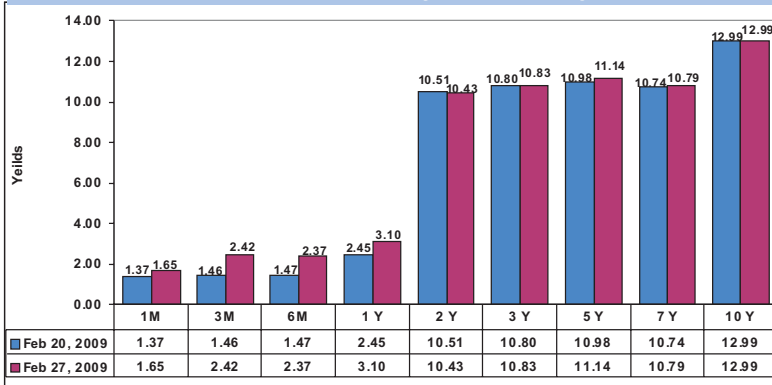


Source: NSE

FGN Securities

Movement in average bonds' yields were mixed as the 3-, 5-and 7-year maturities appreciated, while 2-year maturities depreciated further. We expect yields to slightly increase this week due to tight liquidity situation in the market.

Chart 3: FGN Securities Yield February 20 vs February 27, 2009



Source: FDHL

NIBOR Rates

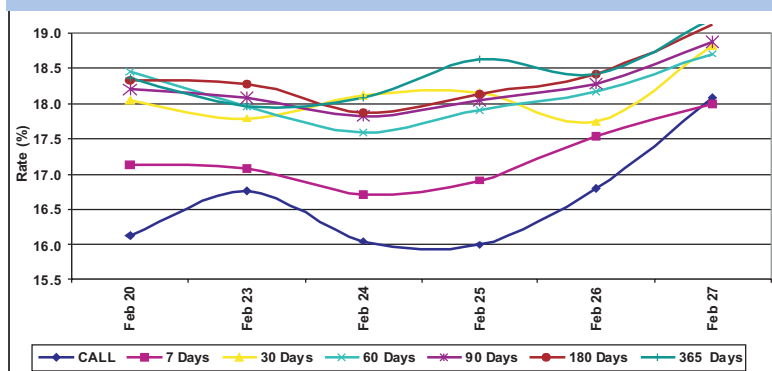
Liquidity situation in the money market was tight last week leading to rise in rates across all tenor. The tight liquidity situation in the market was largely due to large payments for dollar purchases at the CBN auction, Bonds and T-bills. Thus, we expect rates to remain high as the tight liquidity situation may persist this week

Table 2: NIBOR Rates

Date	Tenor						
	CALL	7 Day	30 Day	60 Day	90 Day	180 Day	365 Day
Feb 23	16.7500	17.0833	17.7917	17.9583	18.0833	18.2917	17.9583
Feb 24	16.0417	16.7083	18.1250	17.5833	17.8333	17.8750	18.0833
Feb 25	16.0000	16.9167	18.1583	17.9167	18.0417	18.1333	18.6250
Feb 26	16.7917	17.5417	17.7500	18.1667	18.2917	18.4167	18.4167
Feb 27	18.0833	18.0000	18.8333	18.7083	18.8750	19.1250	19.2083

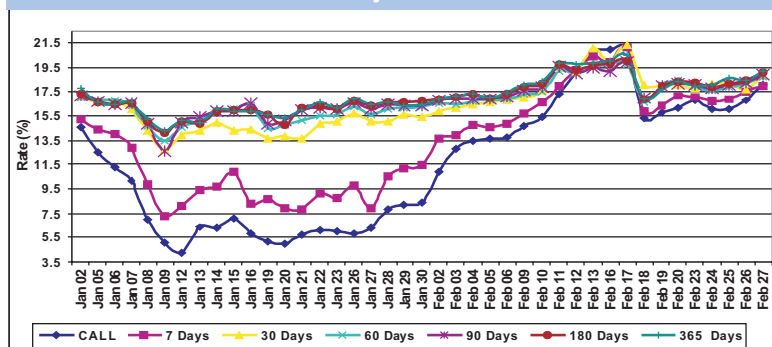
Source: FDHL

Chart 4: NIBOR Rates - 1 Week Trend



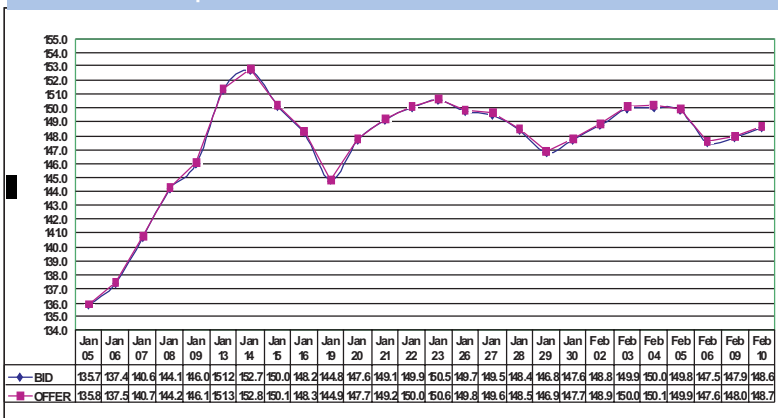
Source: FDHL

Chart 5: NIBOR Rates - Trend Analysis



Source: FDHL

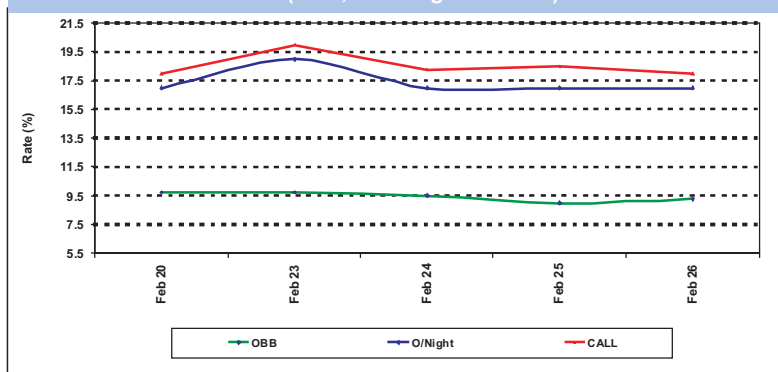
Chart 6: NIFEX Spot Rates - 1 Week Trend



Source: Money Market Association of Nigeria

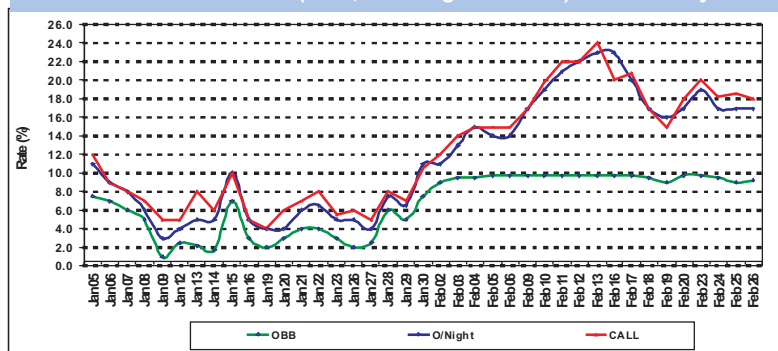
Inter bank Rates

Chart 7: Inter-bank Rates (OBB, Over-Night and Call) - 1 Week Trend



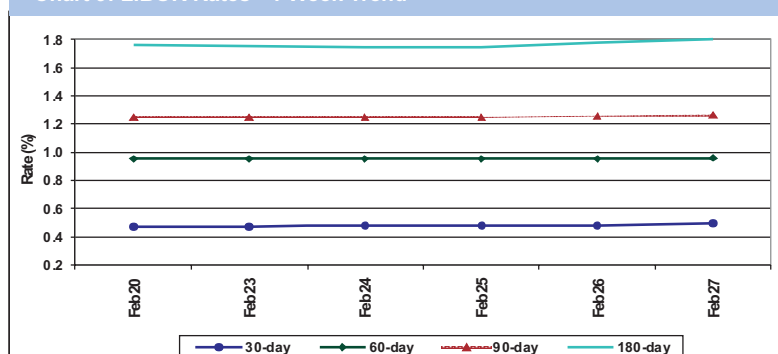
Source: FDHL

Chart 8: Inter-bank Rates (OBB, Over-Night and Call) - Trend Analysis



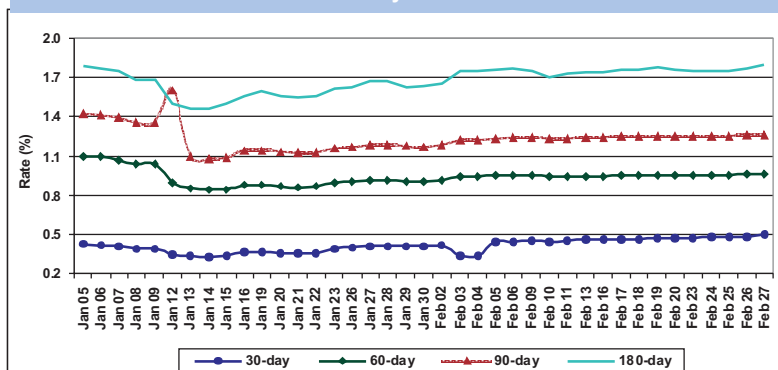
Source: FDHL

Chart 9: LIBOR Rates - 1 Week Trend



Source: FDHL

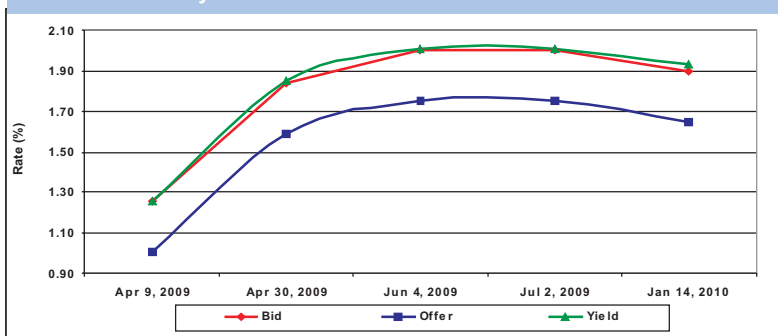
Chart 10: LIBOR Rates - Trend Analysis



Source: Money Market Association of Nigeria

Treasury Bills

Chart 11: 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	5.94	5-March-2009
182 Day	5,000.00	9.43	5-March-2009
365 Day	15,000.00	8.99	5-March-2009

Source: Money Market Association of Nigeria

Table 4: Open Market Operation (OMO)

Tenor	Amount (N'm)	Rate (%)	Date
226	5,000.00	9.55	5-March-2009
227	5,000.00	9.55	5-March-2009

Source: Money Market Association of Nigeria

Average Deposit and Lending Rates

Lending rates generally remained stable last week while, on the average, Deposit rates across tenors decreased by 2.46 basis points. We also expect interest rates in this segment to inch up in response to the prevailing tight liquidity situation in the system and the increasing competition to attract deposits by banks. We expect interest rates in this segment to rise.

Chart 12: Average Deposit & Lending Rates as at February 27, 2009



Source: Money Market Association of Nigeria

Foreign Exchange Market

The value of the Naira against the US Dollar appreciated by N0.50k at the official market but depreciated by N1.00k and N7.00k at the BDC and parallel market, respectively. The appreciation at the official market and depreciation at the BDC and parallel market may be due to the reduction in the volume of FX to be sold to BDC and CBN's call that all Oil Companies and Government Agencies should return their FX receipts. We expect rates to depreciate further due to low FX supply from the BDC and complete closure of autonomous FX sources.

Table 5: Exchange Rates (N/\$)

Market	February 13	February 20	1 Months Ago
Official	145.85	145.90	144.10
Inter-bank	-	-	149.65
Parallel	170.00	163.00	147.00
BDC	149.00	148.00	147.00

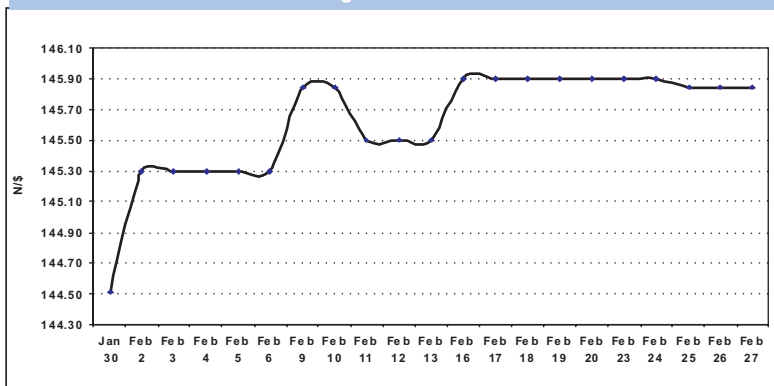
Source: CBN

Table 6: Exchange Rates Against Major Currencies

Date	N/\$	N/£	N/€
Feb 23	145.90	213.76	187.32
Feb 24	145.90	211.93	186.58
Feb 25	145.85	209.78	186.48
Feb 26	145.85	208.13	186.38

Source: CBN

Chart 13: Official Naira Exchange Rates

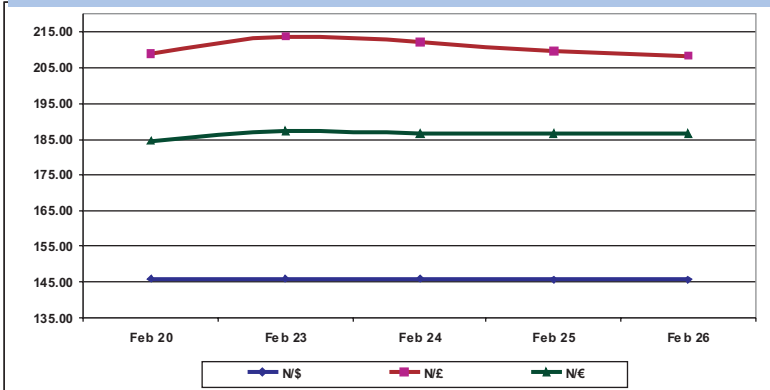


Source: CBN & FDHL

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Market Analysis

Chart 14: Naira Exchange Rates Against Major Currencies



Source: CBN & FDHL

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Business Update

Nigerian National Petroleum Corporation (NNPC) has signed a 'Modified Carry Agreement' worth \$1.69 billion with Shell, Total and Agip, designed to finance their joint venture upstream project in Gbaran-Ugbidie, Bayelsa state. The Modified Carry Agreement is a financing agreement whereby the International Oil Companies (IOCs) advance loans to NNPC for the purpose of investing in upstream projects. The financing arrangement is a modification of the existing agreement. Under the MCA, the 3 companies would take capital allowances as allowed by the Petroleum Profit Tax (PPT) to recover 85% of the principal loan, while the balance of 15% plus 8% interest would be paid in cash from the increased production.

Nigerian National Petroleum Corp. (NNPC) and Gazprom - Russia's oil giant - have concluded arrangements to sign a \$2.5 billion oil and gas exploration contract. Gazprom plans to invest mainly in gas production, processing and transportation, which would gulp 90% of the total investment.

Total, the French energy giant, has expressed interest in participating in the \$12 billion Trans-Saharan Gas Pipeline (TSGP) project, expected to link European markets by 2015. Algerian National Oil Company and Gazprom (Russian gas major) have also indicated interest in the 4,400 kilometre long gas pipelines which would connect the Niger Delta in Nigeria, through Niger Republic to existing gas transmission hubs to the European Union at Beni Saf in Algeria's Mediterranean coast.

Shareholders of Transnational Corporation Plc (Transcorp) have unanimously approved the divestment of part of the company's 51% stake in Nigeria Telecommunications Plc (NITEL). The sale would enable the company offset its indebtedness to commercial banks which amounts to about N85 billion. The sale is expected to take place within the next 3 to 6 months. Transcorp's 51% stake in NITEL was acquired for \$500 million in 2006.

Nestle Nigeria Plc has reported a profit after tax (PAT) of N8.3 billion for its 2008 FY, representing a 53.7% increase over N5.4 billion recorded in the corresponding period of 2007. Turnover also grew by 17.5% from N44.0 billion to N51.7 billion in the same period.

Guinness Nigeria Plc has reported a Q2 2008 profit after tax (PAT) of N8.1 billion, representing a 55.8% increase over N5.2 billion recorded in the corresponding period of 2007. Turnover also grew by 35.5% from N32.1 billion to N43.5 billion in the same period.

Costain (W.A) Plc has reported a Q3 2008 profit after tax (PAT) of N287.9 million, representing a 58.3% increase over N181.9 million recorded in the corresponding period of 2007. Turnover also grew by 95.5% from N2.2 billion to N4.3 billion in the same period.

Finsurance Company, formerly Yankari Insurance Company Ltd, has disclosed plans to increase its capital by 66.7% from N3 billion to N5 billion in 2009. The company, which is currently classified as a general insurance company, plans to become a composite insurance outfit (able to offer life and non-life insurance services to clients).

Cadbury Plc, the world's largest candy maker, has reported a net profit of £364 million (\$529 million) for its 2008 FY operations, representing a 10.1% decline below £405 million recorded in 2007. Pre-tax profits stood at £559 million (\$814 million), while profit from continuing operations rose by 148.3% from £149 million to £370 million. Cadbury Plc has agreed to sell its Australian beverage unit to Asahi Breweries Ltd, a Japanese company, for £550 million pounds (\$811 million).

Lloyds Banking Group Plc has posted a net profit of £819 million, representing a 175% decline below £3.2 billion recorded in the corresponding period of 2007. Revenue was also down by 8.0% to £9.8 billion in the same period. The loss is attributed to the US sub-prime crisis which undermined the value of securities backed by high-risk mortgages.

Royal Bank of Scotland (RBS) has reported a £24.1 billion loss for its 2008FY, marking the biggest loss in UK corporate history. The performance was attributed to exposures to toxic assets relating to US sub-prime mortgages. To save cost, RBS plans to scale back operations in 36 countries, and sell its retail and commercial banking operations in the Middle East and Asia.

NNPC Signs Modified Carry Agreement With IOCs

NNPC and Gazprom to Sign Exploration Contract Worth \$2.5 Billion

Investment in TSGP Interests Total and Gazprom

Transcorp to Sell Part of 51% Stake in NITEL

Nestlé's Profit Rises by 53.7%

Guinness' Profit Grows by 55.8%

Costain's Profit Grows by 58.3%

Finsurance to Raise Capital to N5 Billion

Cadbury's Profit Falls by 10.1%

Lloyds Profit Falls by 75%

RBS Posts Record Loss

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Business Update

JPMorgan Chase, US second-largest bank, has disclosed plans to cut about 12,000 jobs in Washington Mutual Inc, which the bank acquired in September 2008. The bank also hinted that 2,000 investment banking jobs would be cut due mainly to fall in demand for equity analysis. Meanwhile, JPMorgan has slashed its common stock dividend 386.8% from 38 cents per share to 5 cents to shore up its finances amid ongoing financial crisis. The bank plans to save \$5 billion of common equity per year from the reduction. The cut may also enable the bank reimburse the \$25 billion capital injection made by the US' government in October 2008, under the Troubled Asset Relief Program (TARP).

JPMorgan to Cut 14,000 Jobs

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Regional Developments

BOG Raises Key Interest Rate

Bank of Ghana (BOG) raised its benchmark rate by 150 basis points from 17.0% to 18.5% during its Monetary Policy Committee (MPC) meeting held on February 24, 2008. The decision was based on the apex bank's belief that upside risks to price stability has increased tremendously. Uncertainty characterizing the depreciation of the cedi against major international currencies, especially US\$ was also considered. Inflation rate rose from 18.13% in December 2008 to 19.86% in January 2009, the highest since February 2004, due to high import level. Food and non-food inflation rose by 8.75% and 11.11%, respectively.

Inflation Falls to 14.0%

A recent report by Zambia Central Statistical Office shows that the country's inflation rate declined from 16.0% in January 2009 to 14.0% in February, representing a second consecutive month of declining inflation. The decline was attributed to fall in costs of food, mainly ground maize meal, fresh vegetables and fish. Central Statistical Office also reported that the country recorded a trade deficit of 237.8 billion Zambian kwacha (\$42.39 million) in January 2009, compared to a surplus of 32.4 billion kwacha recorded in December 2008, attributed to declining export proceeds.

2009 FDI to Hit \$2.7 Billion

Zambia's Minister of Trade and Commerce has estimated that the country's foreign direct investment would hit \$2.7 billion in 2009 based on various government schemes put in place to attract investors. Such initiatives include tax incentives to foreign companies and the Multi-facility Economic Zones. In addition, government has concluded plans to waive a 25% customs duty and 16% value added tax on imported equipment & machinery over a 10-year period for firms seeking to invest in MFEZs, while the number of business licences required to operate a business in Zambia would be reduced.

Inflation Falls to 20.38%

A recent report by the National Institute of Statistics shows that inflation declined from 22.32% in December 2008 to 20.38% in January 2009 due mainly to good harvest season which made food stuff available. However, core inflation rate, which excludes fresh food and energy, rose from 17.6% in December to 18.6% in January. According to a recent forecast by the central bank, Rwanda's economy would expand between 7% - 8% by end-2009, compared to 11.2% in 2008, while inflation rate would decline to 5 - 8%.

Current Account Deficit Rises by 122.0%

A recent report by the central bank shows that the country's current account deficit grew by 122.0% to \$176.1 million in December 2008, down from a surplus of \$225.8 million recorded in the corresponding period of 2007. The apex bank attributed the deteriorating current account balance to higher imports, mainly driven by private sector demand. Imports rose by 40.8% from \$257.8 million to \$362.9 million due to increased demand for raw materials, while exports declined by 45.5% from \$343 million to \$186.8 million due to declining demand and prices.

UN Gives \$56 Million Loan to Farmers

United Nations has agreed to give Tanzania a \$56 million loan through its rural development unit to support a programme aimed at boosting farmers' productivity. The loan from the UN International Fund for Agricultural Development (IFAD) will help small-scale farmers by supporting the Government's Agricultural Sector Development Programme (ASDP), which needs \$315.6 million over a 7-year period. The facility is targeted at boosting farmers' agricultural productivity and incomes, as well as access to agricultural knowledge, technologies, marketing systems and infrastructure. Other contributors to Tanzania's ASDP include the World Bank, African Development Bank, Irish Aid, Embassy of Japan and European Union.

Government Receives \$100 Million World Bank's Emergency Loan

World Bank has approved \$100 million emergency loan for DR Congo. The facility was designed to ameliorate the impact of the ongoing global financial crisis on the economy. The money would enable Congo import essential goods and pay teachers salaries, as well as the government's water and electricity bills. A fall in export revenues from mining and oil has forced companies to scale back or put projects on hold, as well as Government to reduce its 2009 growth forecast to 4.4% from 5.9% recorded in 2008.

IMF to Disburse \$20.7 Million

Board of the International Monetary Fund (IMF) has approved SDR 14 million loans (\$20.7 million) for The Gambia to help mitigate the impact of the global slowdown. Of the sum, SDR 5.11 million (\$7.5 million) would be disbursed under a 3-year Poverty Reduction and Growth Facility (PRGF) arrangement, while the balance of \$9.2 million would boost government's finance. The Board commended the country for its commitment to prudent economic policies, but also stated that it remains at high risk of debt distress due to high levels of debt in relation to exports and vulnerability to external events.

*Ghana**Zambia**Rwanda**Uganda**Tanzania**DR Congo**The Gambia*

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Regional Developments

Government to Cut Oil Output to 1.6mbpd

Sonangol, the state-owned oil company, has disclosed plans to cut its crude oil production to 1.6 million barrels per day, down from 2.0 million bpd in 2008. The move is aimed at complying with OPEC's cuts geared towards increasing oil prices. Angola currently occupies OPEC Presidency.

Government Opens Up Maize Imports

Kenya's Government has liberalized maize imports and marketing to guarantee supplies of the staple food in the country. Food production/sustainability has been heavily challenged by a prolonged drought, which left about a third of the population (10 million) needing food aid. Government has declared a state of national emergency on food. Previously, importers had to be vetted by the Agriculture Ministry before being allowed to import maize. Maize millers also had to be registered to be able to buy maize from the National Cereals Board.

*Angola**Kenya*

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World Economy

Consumer Confidence Hits New Low

US consumer confidence index declined to 25 in February 2009 marking the lowest level since data collection began in 1967 down from 37.4 recorded in January. The decline was attributed to worsening business conditions and a rapidly deteriorating job market.

Q4 2008 GDP Contracts by 6.2%

A recent report from US Commerce Department shows that the country contracted by 6.2% in Q4 2008, well below the 3.8% shrinkage reported in its advance report in January 2009. This is the worst quarterly economic slowdown since Q1 1982, when GDP shrank by 6.4%. A strong dollar, coupled with the global recession cut exports, while the recession in the US caused domestic demand to slump. GDP growth for 2008 was put at 1.1%, representing the slowest pace since 2001.

BoE Buys Commercial Paper Worth £479 million

Bank of England (BoE) has disclosed the purchase £479 million worth of short-term commercial paper to pump cash directly into troubled markets. The purchase takes the total so far spent under the Asset Purchase Facility (APF) scheme to £820 million. The APF is designed to stimulate markets which have become frozen due to tight liquidity.

Unemployment Rate Rises to 8.2%

Data from Eurostat show that the zone's unemployment rate rose slightly from 8.1% in December 2008 to 8.2% in January. The worsening employment level is attributable to decline in industrial output due to the on-going global economic downturn. Declining output has forced firms to scale down operations, thereby leading to job cuts. Eurostat also reported that the zone's inflation declined from 1.6% in December 2008 to 1.1% in January 2009 due to fall in costs of energy (5.3%), transport (3.2%), communications (1.9%) and clothes (0.6%).

Industrial Production Declines by 10%

Japan's industrial production in January 2009 declined by 10% from the previous month, representing the 4th consecutive month of decline, according to the Ministry of Economy, Trade and Industry. The decline is due to the country's dwindling export fortune, causing companies to cut production and jobs. Output has fallen the most among manufacturers of cars, electronics and general machinery.

Economy Contracts by 8.8%

According to recent report from the Economics Ministry, Russia's GDP contracted at an annual rate of 8.8% in January 2009, compared to a growth of 8.0% in 1H 2008. Russia's economy has been challenged by a combination of the global credit crunch and falling oil price, as well as depreciation of the Rouble since 2H 2008.

S&P Cuts Rating

Standard & Poor's has revised India's outlook to negative due to deterioration in fiscal position, which was considered unsustainable in the medium term. The revision was based on Government's pre-election mini-budget which shoots up fiscal deficit for 2009 to 6.0% of GDP, well over a target of 2.5%. S&P also revised India's outlook on the long-term sovereign credit rating from stable to negative.

United States

United Kingdom

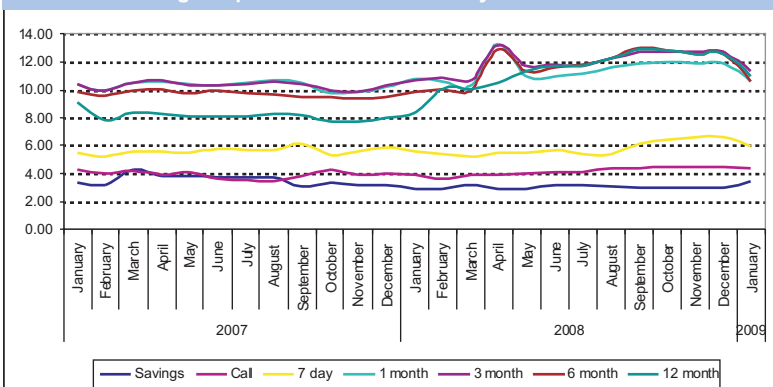
Eurozone

Japan

Russia

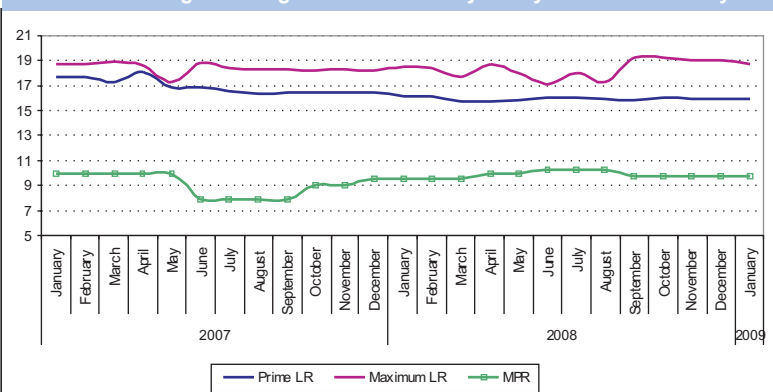
India

Chart 15: Average Deposit Rates - Trend Analysis



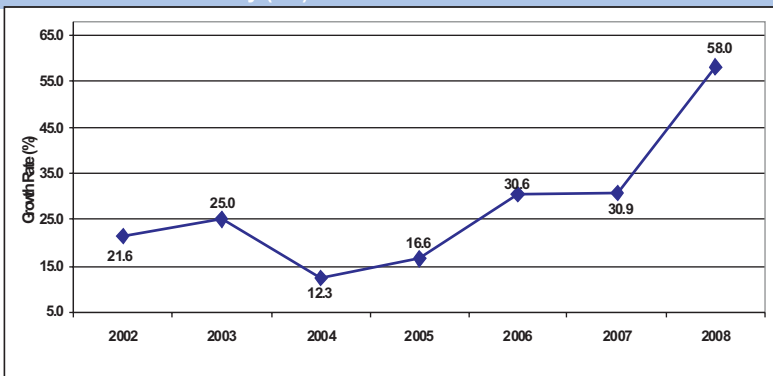
Source: Money Market & FDHL

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



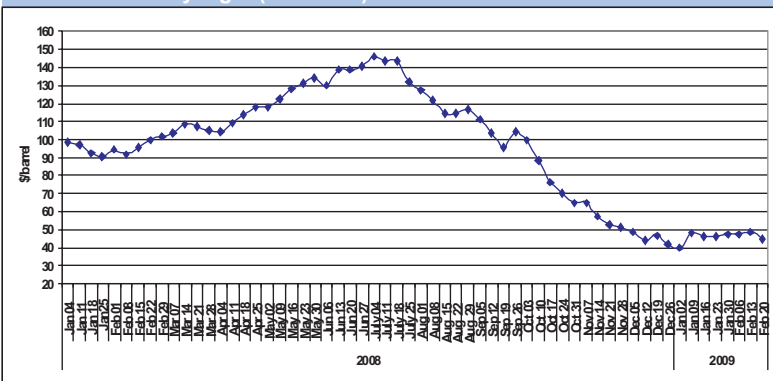
Source: CBN

Chart 17: Broad Money (M2)



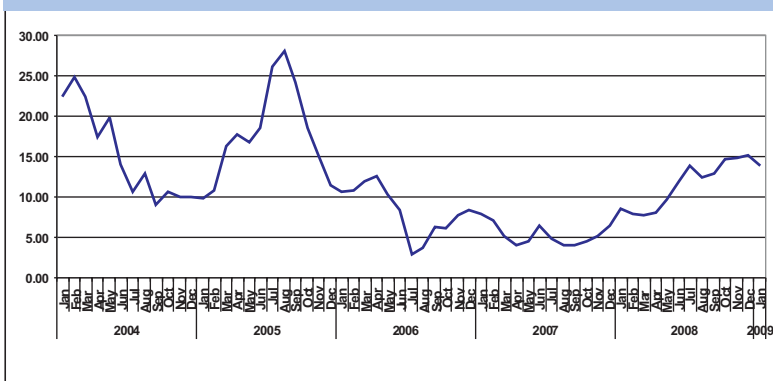
Source: CBN

Chart 18: Bonny Light (Crude Oil) Prices



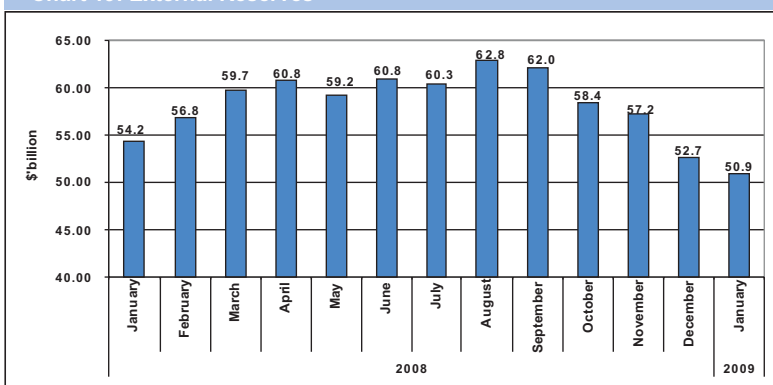
Source: Energy Information Administration (EIA)

Chart 19: Inflation Rates



Source: NBS

Chart 19: External Reserves



Source: CBN

Table 7: Inflation Rates - 2009 Forecast

Month	Best Case	Most Likely	Worst Case
Jan	9.767	14.955	15.438
Feb	7.749	14.827	17.231
Mar	6.731	15.824	18.023
Apr	6.715	14.100	17.815
May	5.502	14.190	17.608
Jun	6.180	13.826	18.400
Jul	6.858	13.462	18.192
Aug	5.526	13.099	17.985
Sep	5.183	12.735	16.777
Oct	6.847	12.372	16.570
Nov	7.507	13.462	17.589
Dec	8.168	13.896	19.634

Source: Access Economic Intelligence Group

Table 8: Official Exchange Rates (N/\$) - 2009 Forecast

Month	Best Case	Most Likely	Worst Case
Jan	125.156	143.307	161.915
Feb	125.981	141.100	163.925
Mar	126.807	144.789	165.935
Apr	126.633	145.479	167.944
May	125.459	147.172	169.954
Jun	124.285	144.695	169.121
Jul	124.110	143.675	173.215
Aug	123.136	140.413	177.309
Sep	122.362	140.152	181.404
Oct	121.588	140.890	185.498
Nov	120.814	141.628	189.592
Dec	120.039	142.367	193.686

Source: Access Economic Intelligence Group

Table 9: Inter-bank Exchange Rates (N/\$) - 2009 Forecast

Month	Best Case	Most Likely	Worst Case
Jan	161.915	151.680	125.156
Feb	183.925	150.702	125.981
Mar	205.935	148.119	126.807
Apr	204.378	144.760	126.633
May	205.350	147.122	125.459
Jun	205.221	149.484	124.285
Jul	205.828	145.906	124.110
Aug	203.578	147.128	123.136
Sep	202.031	148.350	122.362
Oct	201.578	144.854	121.588
Nov	194.074	148.907	120.814
Dec	199.958	147.310	120.039

Source: Access Economic Intelligence Group

Table 10: Crude Oil (Bonny Light) Prices 2009 Forecast

Month	Best Case	Most Likely	Worst Case
Jan	54.290	42.310	32.310
Feb	57.310	43.460	31.460
Mar	60.240	43.780	30.780
Apr	62.980	44.154	32.154
May	63.560	46.609	33.609
Jun	68.060	46.850	32.850
Jul	73.620	47.779	34.779
Aug	77.960	48.709	35.709
Sep	76.120	49.638	38.638
Oct	73.560	50.567	39.567
Nov	75.400	51.496	40.496
Dec	78.400	52.425	40.425

Source: Access Economic Intelligence Group

Buzz word...

Quantitative Easing

Quantitative Easing (QE) is a mechanism used by central banks to increase the quantity of money in the economy, primarily by targeting commercial banks' reserves. In other words, QE is a policy tool used when conventional monetary policy tools for influencing liquidity are no longer effective (as nominal interest rate approaches zero). This makes QE a Plan B. Under QE, central banks buy assets from commercial banks and pay for them by crediting their central bank accounts. This, in turn, increase commercial banks ability to lend. QE becomes an attractive option when a long-term recessionary trend is identified. Also, introducing more money into the system would counteract deflation, while increased spending would help kick-start the economy. However, the biggest risk in employing QE is the chance that it can create uncontrollable inflation, currency depreciation and may not necessarily translate to increased spending. Hence, QE may be more effective when accompanied by fiscal policy, including tax cuts, increased government spending and loan guarantees.

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