

Weekly Economic & Business Review

MAY 18, 2009

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- CBN to Introduce Card-Based Regime for End-Users of FX
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CONTACT

Dr. Emmanuel Abolo, Chief Economist
Economic Intelligence Group
Access Bank Plc
Plot 1665, Oyin Jolayemi Street
Victoria Island, Lagos, Nigeria.
Telephone: 234 1 271 2123
E-mail: aboloe@accessbankplc.com

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Politics & Policies

Senate has concluded its first reading on 6 electoral reform bills forward to the National Assembly by President Musa Yar'adua. The objectives of the bills are to remove lapses and inadequacies in the constitution, as well as improve transparency in future elections. Independent National Electoral Commission (INEC) Act amendment and establishment of Electoral Offences Commission were also considered. The electoral reform is planned to proceed in 3 stages: enactment of enabling laws, appointment of credible citizens into electoral agencies; and re-orientation of politicians.

FG is considering plans to raise the retirement age of professors in the country's tertiary institutions to 70 years to encourage lecturing and aspirations to reach career peak. Government sets a retirement age of 60 for all civil servants, with the exception of Judges which retires at 65. Meanwhile, FG has plans to empower University Governing Council (UGC) to employ, as well as sack vice-chancellor under the planned university autonomy.

Central Bank of Nigeria (CBN) has unveiled plans to introduce a card based regime for business travel allowance (BTA), personal travel allowance (PTA) and Estacode to limit cash demand for FX by end-users in the country. Under the scheme, 80% of the approved limit for each category would be sold to end-users by means of a prepaid card, while the remaining 20% would be paid in cash. Presently, an individual is allowed to purchase \$5000 and \$4000 per quarter for BTA and PTA, respectively.

Nigeria was re-elected as member of the United Nations (UN) Human Rights Council for a second term in an election conducted at the UN General Assembly on May 12, 2009. The 3-year term is with effect from June 19, 2009. Nigerian Permanent Mission to the UN attributed the re-election to improvement in the country's human rights record. Also re-elected were Cameroon, Djibouti, Mauritius, China, Bangladesh, Russia, Jordan, among others. United States was elected for the first time.

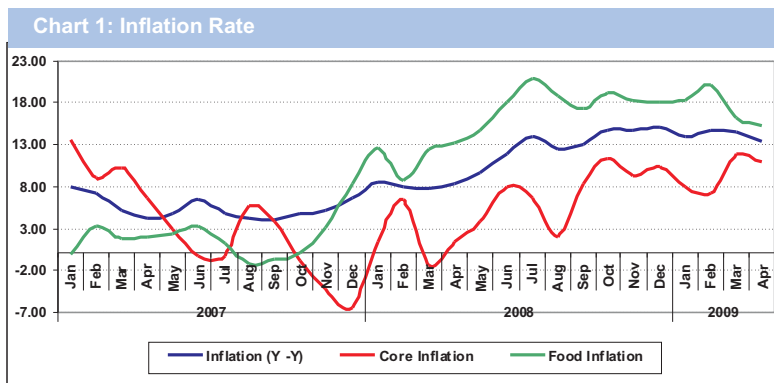
Senate to Amend Electoral Law

FG to Raise Professors' Retirement Age to 70

CBN to Introduce Card-Based Regime for End-Users of FX

Nigeria Re-elected to UN Human Rights Council

Data from the National Bureau of Statistics (NBS) show that year-on-year inflation rate declined from 14.4% in March 2009 to 13.3% in April. Food prices, which account for 64% of the index, declined from 16.2% year-on-year to 15.3%, while core inflation also declined by 10.9% over the corresponding level in 2008.



Source: NBS

Federal Inland Revenue Service (FIRS) has disclosed that tax revenues in Q1 2009 declined by 25.9% (N124 billion) from N477 billion target to N353 billion. The decline was attributed to dwindling crude oil output due to militant activities in the Niger Delta region, low crude oil price at the international market, as well as tax evasion/irregularities. Oil output has fallen by about 18.6% since early 2008 and price by 60.5% since a record high of \$147.27 per barrel in July 2008. Meanwhile, Government has disclosed plans to review penalties on tax defaulters (owing about N260 billion) and simplify the tax system to reduce multiple taxation.

A recent African Development Bank (ADB) report projected that Nigeria's 2009 GDP growth would slow to 4.0%, down from 6.4% in 2008. The forecast was based on the declining FDIs and oil revenue due to cuts in OPEC quota, as well as militants' activities in the Niger Delta region. The Bank also projected that 2009 Africa's GDP would decline from 5.7% growth in 2008 to 2.8%. The declining growth forecast was hinged on reduction in demand for commodities by developed countries which is expected to weigh down growth in the continent.

FG has indicated plans to stick to the systematic removal of subsidy on fuel which would culminate in deregulation of the downstream sector of the oil industry. The objective of the removal is to cut public spending and free resources for use in other sectors. The FG hinted that the growing cost of subsidy has become unbearable and unsustainable with dwindling revenues from crude oil amid the on-going global economic crisis. Specifically, the fuel subsidy still outstanding as at end-April 2009 stood at N400 billion, while N2 trillion has been spent in the last 5 years.

A recent report by Organisation of Petroleum Exporting Countries (OPEC) shows that member countries crude oil output of 25.812 million barrels per day (bpd) in April 2009 exceeded a target of 24.845 million bpd by 3.9% (967,000 bpd). About 25.587 million bpd of oil was produced in March. OPEC, which supplies 40% of global crude oil demand, had in December 2008 planned to cut output by 4.2 mbpd to stem sliding crude oil prices which declined to \$33.87 pb on December 19, 2008, a 5-year low, down from a record high of \$147.27 in Q3 2008. Oil price rose to \$60.2 a barrel on May 12, but declined to \$58.7 on May 15 due to supply glut and continued effects of the current global economic recession. Meanwhile, OPEC has scheduled to meet on May 28 to review oil output policy.

World Bank and International Fund for Agricultural Development (IFAD) have approved a total sum of \$400 million (N58 billion) for Nigeria to upgrade rural feeder roads over a 5-year period across the country. Of the sum, World Bank and IFAD would provide \$250 million and \$150 million, respectively for the project. In a related development, FG has disclosed plans to make available N40 billion to small scale farmers under the commercial agricultural credit scheme.

Adamawa State Universal Basic Education (UBE) Board has earmarked the sum of N2 billion to upgrade infrastructures in both primary and junior secondary schools. Under the programme, a block of 3 classrooms and 6 junior boarding schools are expected to be constructed in 60 junior secondary schools across the state.

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Tax Revenue falls by 25.9%

GDP to Slow to 4.0% in 2009

Govt Opts for Deregulation, to Remove Fuel Subsidy

OPEC Exceeds Production Quota by 967,000 bpd

FG to Receive \$400 Million Grant from Donors

UBE Earmarks N2 Billion for Infrastructure

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Economy

A consortium of investment companies has launched a N7.3 billion fund to provide start up capital for microfinance institutions in Nigeria and Ghana. The companies include Alitheia Capital (Nigeria-based), JCS Investments Limited (Ghana) and Goodwell Investments (The Netherlands). Management and technical support would be provided by the consortium to guarantee efficient utilisation of resources and returns on investment.

FG has disclosed plans to embark on construction of houses for low and medium income earners under the public-private partnership (PPP) arrangement. Under the scheme, FG's equity contribution would be land, while the private investors would finance the construction of the houses. Meanwhile, FG has reconstituted the Federal Mortgage Bank's management and plans are underway to recapitalise the bank for efficiency.

Management of Lekki Free Trade Zone (LFTZ) has disclosed that the planned deepwater seaport worth N12 billion (\$850 million) would be fully operational by 2012. The port would have capacity to handle bulk/liquid commodities and tankers up to 160,000 Deadweight. The zone, which covers 16,500 hectares, would contain facilities such as seaport, light rail, international airport and telecommunications facilities when completed.

FG has concluded plans to list its shareholdings in 6 public corporations on the Nigerian Stock Exchange. The companies include Nigerian Re-Insurance (49%), NICON (39%), Nigerdock (20%), Nigeria Security and Minting Company (74%), Hilton Hotel (49%) and Nigerian Telecommunications (49%). FG's decision to sell its stake in the companies is part of strategy to promote private sector participation in the economy.

Nigerian Stock Exchange (NSE) has de-listed 9 moribund companies from its daily official list following expiration of approved time limit to regularise their status with the exchange. The aim is to sanitise and shore up investors' confidence in the stock market. The companies are Footwears & Accessories, Ferdinand Oil Mills, Christileb, BCN, Liz-Olofin & Company, Epic Dynamic, Oluwa Glass Company, Aba Textile Mills and Asaba Textile Mills. Meanwhile, NSE has informed shareholders of the companies of statutory right to convene an extra-ordinary general meeting to decide on assets.

N7.3 Billion Microfinance Equity Fund for Nigeria and Ghana

FG to Embark on Mass Housing Scheme

Lekki Port to Be Operational by 2012

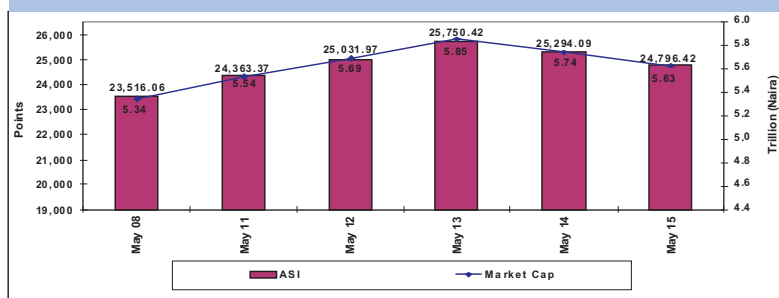
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The Stock Market

Activities in the Nigerian stock market closed on a positive note last week despite the bearish trend experienced in the last two days of trading. The ASI and market capitalization improved by 5.44% and 5.36% to close at 24,796.42 and N5.63 trillion, respectively. The improvement was attributed to gains recorded by the banking, insurance, oil/gas and food/beverages sub-sectors. Trading on the last two days of the week witnessed unabated selling pressures as investors' moved to take early profits from the gains recorded in most equities. Given investors' willingness to take quick profits from the appreciation of most equities in the market; we expect the bullish trend to moderate this week.

Chart 2: Stock Market - 1 Week Trend



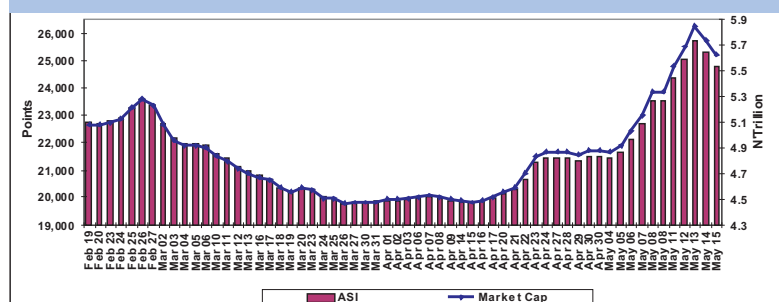
Source: NSE

Table 1: Stock Market at a Glance

	Last Week	Previous Week	1 Week Change	Ytd Change
ASI	24,796.42	23,516.06	5.44	(21.16)
Market Cap (N'trillion)	5.63	5.34	5.36	(19.11)
Volume (million)	2.60	3.54	(26.57)	-
Turnover (N'billion)	16.06	10.41	54.29	-

Source: NSE

Chart 3 : Stock Market

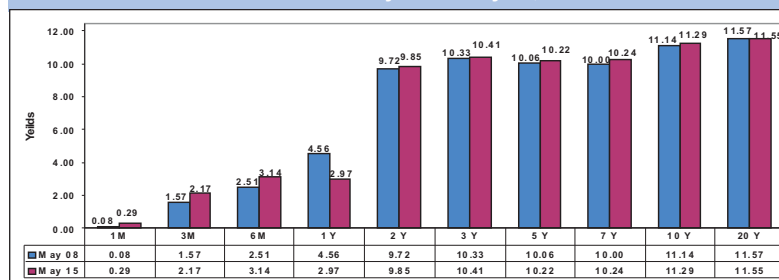


Source: NSE

FGN Securities

Average bond yields' rose across the 3-, 5-, 7-, and 10 year maturities last week except for the 20 year maturity that fell slightly by 2 basis points. The improvement in average bond yields' was due to the net outflow of cash for FX purchases at the daily RDAS and Cash Reserve Requirement (CRR)/banks deposit realignment. Given the liquid effect of the monthly FAAC allocation that would be injected into the system, we expect yields to drop this week.

Chart 4: FGN Securities Yield - May 08 vs May 15, 2009



Source: FDHL

NIBOR Rates

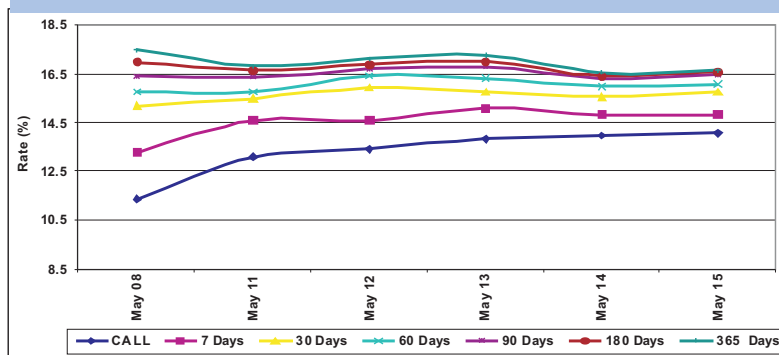
The liquidity situation in the money market was tight last week as the Nigerian Inter-bank Offer Rates (NIBOR) rose across all tenors. The tight liquidity situation in the market, which was mainly due to large payments for FX purchases at the daily RDAS and CBN deduction on banks' current account to align Cash Reserve Requirement (CRR) with deposit, is expected to ease with the monthly FAAC allocation hitting the system in the current week. Our expectation is that the market will be liquid and consequently rates will inch downward this week.

Table 2: NIBOR Rates

Date	Tenor						
	CALL	7 Day	30 Day	60 Day	90 Day	180 Day	365 Day
May 11	13.0833	14.5833	15.4583	15.7500	16.3333	16.6250	16.8333
May 12	13.4167	14.5833	15.9167	16.3750	16.6667	16.8750	17.0833
May 13	13.8333	15.0833	15.7500	16.2917	16.7917	17.0000	17.2500
May 14	13.9583	14.7917	15.5417	16.0000	16.2917	16.4167	16.5417
May 15	14.0833	14.7917	15.7500	16.0833	16.4500	16.5833	16.6250
May 08	11.3333	13.2500	15.1667	15.7500	16.4033	16.9583	17.4583

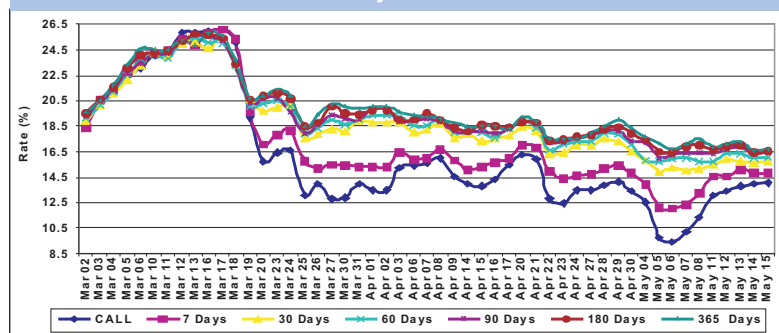
Source: FDHL

Chart 5: NIBOR Rates - 1 Week Trend



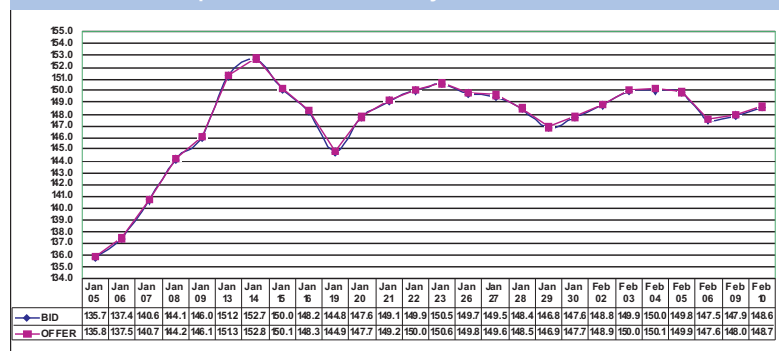
Source: FDHL

Chart 6: NIBOR Rates - Trend Analysis



Source: FDHL

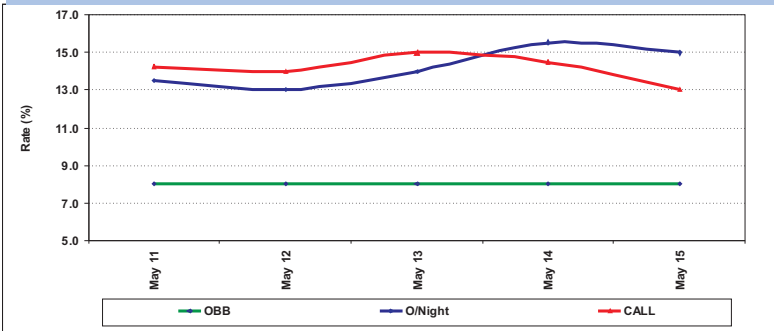
Chart 7: NIFEX Spot Rates - Trend Analysis



Source: Money Market Association of Nigeria

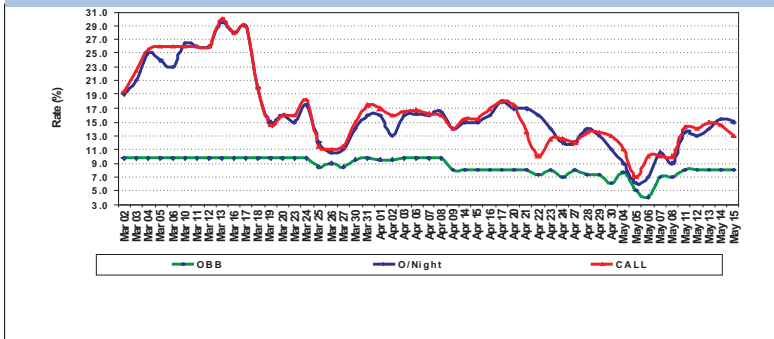
Inter bank Rates

Chart 8: Inter-bank Rates (OBB, Over-Night and Call) - 1 Week Trend



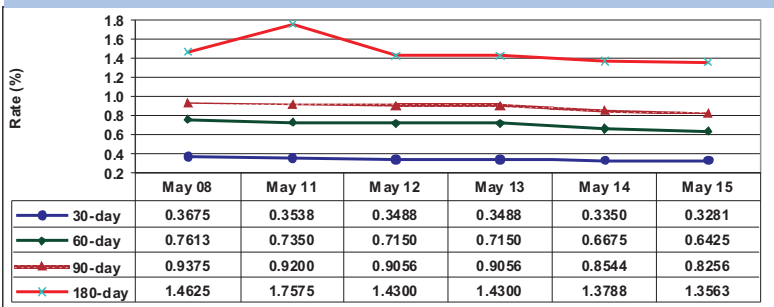
Source: FDHL

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



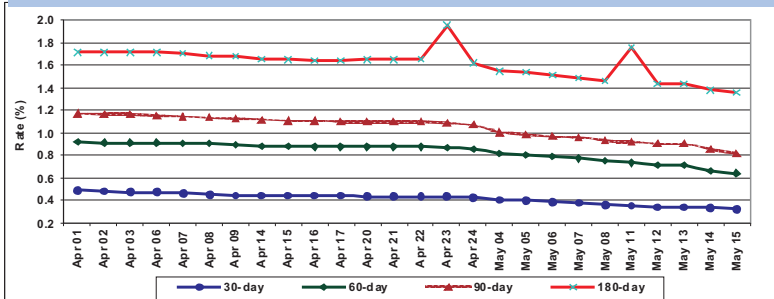
Source: FDHL

Chart 10: LIBOR Rates - 1 Week Trend



Source: Money Market Association of Nigeria

Chart 11: LIBOR Rates - Trend Analysis

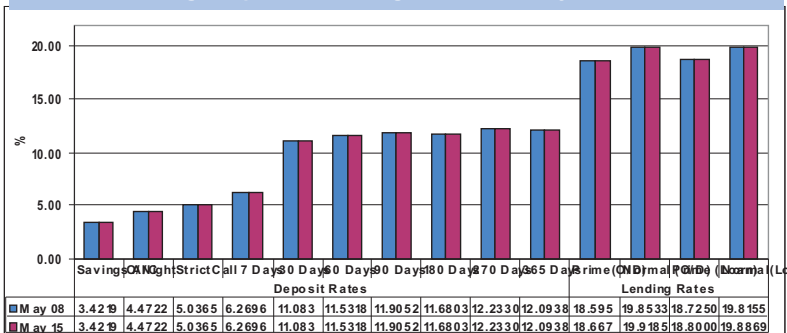


Source: Money Market Association of Nigeria

Average Deposit and Lending Rates

Average interest rates were stable last week in response to the CBN directive to maintain deposit and lending rates at 15% and 22%, respectively. Lending rates rose slightly by 7.15 and 6.52 basis points for the overdrafts (prime and normal) and 7.50 and 7.14 basis points for loans (prime and normal), respectively. We maintain that rates will hover around the CBN band this week.

Chart 12: Average Deposit & Lending Rates as at May 15, 2009



Source: Money Market Association of Nigeria

Foreign Exchange Market

The value of the Naira depreciated by N0.49k, N0.37k and N0.50k against the US Dollar at the official, BDC and parallel markets, respectively. The marginal depreciation at the various segments of the FX market was mainly due to increased FX demand from oil marketers whom resumed fuel importation as FG insists on deregulation of the downstream oil sector and proposes to pay subsidy arrears. Given that there would be increase in FX demand from oil marketers in order to meet fuel demand and halt the present scarcity, we expect the dollar to further appreciate against the naira this week.

Table 3: Exchange Rates (N/\$)

Market	May 08	May 15	1 Month Ago
Official	146.01	146.50	145.90
BDC	150.38	150.75	150.15
Parallel	181.00	181.50	178.00

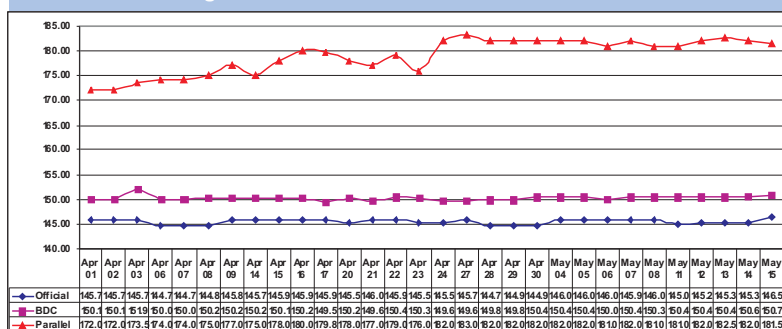
Source: CBN & FDHL

Table 4: Exchange Rates against Major Currencies - Official Market

Date	N/\$	N/£	N/€
May 08	146.01	220.55	197.38
May 11	145.05	220.56	198.41
May 12	145.20	224.12	200.18
May 13	145.32	221.63	199.38
May 14	145.32	220.93	198.51

Source: CBN

Chart 13: Exchange Rates

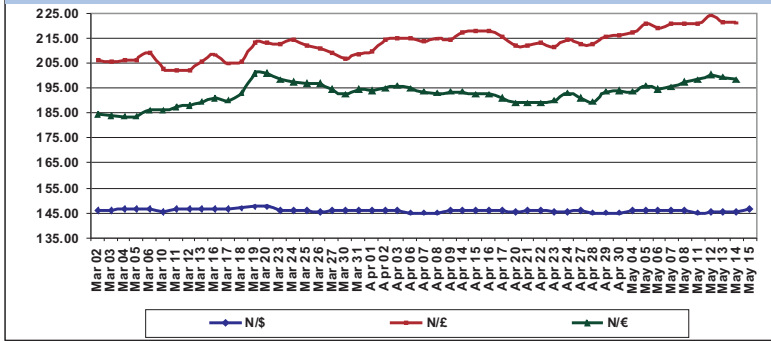


Source: CBN & FDHL

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Market Analysis

Chart 14: Naira Exchange Rates against Major Currencies



Source: CBN

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Business Update

Shell Petroleum Development Company (SPDC) has disclosed that the Gbaran-Ubie Integrated Gas Project would commence operation by end-2010, rather than 2011 earlier announced. The project, which is about 70% complete, is expected to supply 80 million standard cubic feet of gas per day to FG's 225 megawatts power plant at Gbaran-Ubie, as well as Bayelsa State Power Plant at Imiringi. Gbaran-Ubie Project is Shell's major initiative to reduce gas flaring in its operations and to enhance supply of associated gas to the Nigeria Liquefied Natural Gas (NLNG) plant at Bonny Island.

Nigerian Gas Company (NGC) and Ibom Power Company (IPC) have signed a memorandum of understanding on gas supply over a 20-year period. Under the agreement, NGC would supply 27 million standard cubic feet of gas per day to power IPC's plant. Akwa Ibom State owned independent power project, Ibom Power, is expected to add 685 megawatts of electricity to the national grid when fully operational.

World Bank has approved \$8.4 million grant for 6 micro-finance institutions (MFIs) for onward lending to Micro, Small and Medium Enterprises Project in 3 targeted states of Nigeria. The projects, which target selected non-oil sub-sectors, would cost \$60 million, of which World Bank and FG would contribute \$32 million and \$24.6 million, respectively. The MFIs are ACCION, Susu, Integrated Microfinance Bank Ltd, MIC Microfinance Bank, MicroCredit and LFS Financial Systems.

R.T. Briscoe Nigeria Plc has reported a profit after tax of N628.0 million for its 2008 FY operations, representing a 2.9% increase over N609.9 million recorded in 2007. Turnover grew by 23.3% from N16.3 billion to N20.1 billion in the same period. Meanwhile, the Board of Directors has recommended dividend payment of 40 Kobo per share and a scrip issue of 1 for 5 shares held by shareholders in their books

National Sport Lottery (NSL) Plc has reported Q1 2009 profit after tax (PAT) of N140.4 million, compared to N841.8 million recorded in the corresponding period of 2008. Turnover also declined by 66% from N1.2 billion to N398.0 million during the period.

Standard Alliance Insurance Plc has reported Q1 2009 profit after tax (PAT) of N596.5 million, representing a 130% increase over N259.5 million recorded in the corresponding period of 2008. Turnover also rose by 97% from N597.5 billion to N1.2 billion during the period.

Nigerian Breweries Plc (NB) has reported a profit after tax (PAT) of N25.7 billion for its 2008 FY operations, representing a 35.9% increase over N18.9 billion recorded in 2007. Turnover also grew by 30.2% from N111.7 billion to N145.4 billion during the same period. NB attributed the performance to its business expansion and excellent investment foresight, technological advancement, as well as cost and capital efficiency. Meanwhile, the Board of Directors has recommended a dividend of N3.40 kobo per share.

Continental Reinsurance Plc has reported a profit after tax (PAT) of N473.3 million for its 2008 FY operations, representing a 30.1% decline below N676.7 million recorded in 2007. However, turnover grew by 88% from N2.8 billion to N5.3 billion Naira during the period.

Unipetrol AS, Czech Republic's biggest oil company, has reported Q1 2009 net loss of 185 million koruna (\$9.3 million) compared to 406 million koruna profit in the corresponding period of 2008. Pre-tax loss stood at 127 million koruna compared to 653 million koruna profit, while revenue declined by 34% to 14.5 billion koruna in the same period. The performance was attributed to decline in demand for petrochemical products amid the global economic crisis.

Exxon Mobil, world's largest oil company, has reported a Q1 2009 net profit of \$4.6 billion, representing a 57.8% decline from \$10.9 billion recorded in the corresponding period of 2008. Total revenue declined by 45.2% from \$116.9 billion to \$64.0 billion during the period. The decline was attributed to dwindling demand for crude oil from advanced economies and sliding prices amid the on-going global economic recession.

Bank of America (BoA) has divested 5.8% of its stake in China Construction Bank (CCB) Corp for \$7.3 billion to boost capital depleted by credit losses and write-downs. About 13.5 billion shares at HK\$4.20 each were sold in line with US Federal Reserves directive to inject fresh capital into its operation. BoA needs to raise a total of \$33.9 billion in additional funds following US regulators financial stress test which assessed banks' resilience to further shocks.

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BoA Divests CCB Stake

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Regional Developments

ADB to Re-capitalise by 200%

African Development Bank (ADB) has unveiled a 200% recapitalisation plan to boost its lending. The bank, which currently has \$3.5 billion capital as at end-2008, has projected that lending to African countries would increase by 14% over a 4-year period. ADB's loans have increasingly been sought after by its 77 member countries due to the on-going global recession which had cut revenues from commodity exports. The bank plans to liaise with member countries for the recapitalisation drive.

Government to Receive \$174.1 Million in Aids

Zambia's Government has disclosed that \$174.1 million is expected from various donors in 2009. Of the sum, \$96.2 million is expected to supplement the budget due to effects of the global economic recession, while \$77.9 million is earmarked for the upgrade of infrastructure. The donors include UK, Norway, Germany, Canada, the Netherlands, Sweden and the European Union.

US and Angola's Governments to Sign Trade Agreement

Angolan and US Governments have disclosed plans to sign a preliminary trade agreement to boost bilateral relations between both countries. The agreement is expected to facilitate free trade when modalities are fully in place. Angola, which is currently the US 3rd largest trading partner in the sub-Sahara Africa, export mainly crude oil, while the US exports to the country consist of industrial goods and services.

Inflation Rose to 13.89% in April 2009

A recent report by the Angolan National Statistics Institute shows that inflation rose from 13.71% in March 2009 to 13.89% in April due mainly to increase in cost of transportation.

BOG Leaves Benchmark Rate Unchanged

Bank of Ghana (BOG) left its benchmark interest rate at 18.5% during its Monetary Policy Committee meeting held on May 11, 2009, citing uncertainty in the economy as reason. Upside risks to price stability has increased tremendously, with inflation rising to 20.53% in March 2009. Uncertainty characterizing the depreciation of the cedi against major international currencies, especially US\$ was also considered in the decision.

Government to Upgrade Capacity of Hydropower Dam

Uganda's Government has disclosed plans to upgrade the capacity of the Karuma dam project from 200 megawatt (mw) to 750 mw at the cost of \$1.5 billion. The upgrade is expected to be completed by 2014. Government is also constructing another 250 mw hydropower dam on river Nile. Power rationing and load-shedding are current challenges faced by the country.

Inflation Rate Rises to 26.1%

A recent report from Kenya's National Bureau of Statistics (NBS) shows that inflation rate rose from 25.8% in March 2009 to 26.1% in April. The rise was attributed mainly to increases in the cost of food & non-alcoholic drinks and household goods & services, which rose by 34.6% and 11.7%, respectively in April. Core inflation, which excludes food, rose from 7.7% to 8.2% in the same period.

Inflation Falls to 12.0 in April 2009

Data from the National Bureau of Statistics show that Tanzania's annual inflation rate declined from 13.0% in March 2009 to 12.0% in April due to fall in prices of food and non-food items. Food and non-food inflation declined from 18.5% to 17.8%, and 4.3% to 2.9%, respectively.

African Economy**Zambia****Angola****Ghana****Uganda****Kenya****Tanzania**

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World Economy

Economy Faces Bleak Economic Downturn

Bank of England (BOE) has disclosed that the UK economy is currently grappling with its worst economic downturn for 60 years. He noted that the economic situation is 'going to be more profound and long-lasting than people thought'. The assessment was made on the back of 1.9% economic shrinkage in Q1 2009, following a 1.6% contraction in Q4 2008.

Central Bank Cuts Benchmark Rates

Russia's central bank cut its key interest rates by 50 basis points from 12.5% to 12.0% during its Monetary Policy Committee meeting held on May 12, 2009. The decision was hinged on the diminishing upside risk to price stability and the need to boost lending and economic growth. A recent World Bank report lowered Russia's 2009 GDP projection from 3.0% growth to a contraction by 4.5%. Russia's economy has been challenged by a combination of the global credit crunch and falling oil price, as well as depreciation of the Ruble.

GDP to Slow to 5.6% in 2009

A recent Fitch report projected that China's 2009 economic growth would slow to 5.6%, down from 9.0% in 2008. The forecast was based on the country's relatively weak short-term economic outlook and the risks/lag surrounding policy response to the slowdown. The agency believes that China's economic recovery depends largely on improvement in the economies of major trading partners, with exports projected to decline by 12% in 2009.

Banco do Brazil Profit Falls by 29%

Banco do Brazil SA, Latin America's biggest federally controlled bank, has reported Q1 2009 net profit of 1.66 billion reals (\$787 million), representing a 29% decline from 2.35 billion reals recorded in the corresponding period of 2008. The decline was attributed to loan default provisions, which rose by 66% to 2.65 billion reals in the quarter. Loan default rate rose from 2.4% to 2.7%, with outstanding loans rising by 40% to 241.9 billion reals as at end Q1 2009

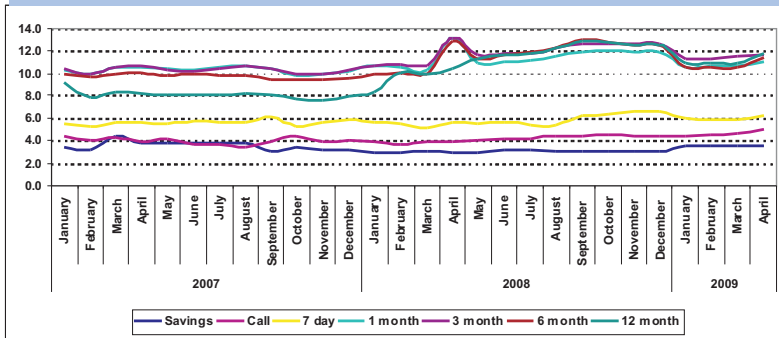
United Kingdom

Russia

China

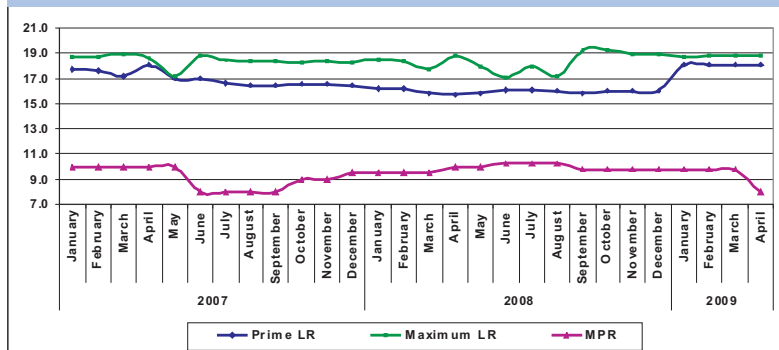
Brazil

Chart 15: Average Deposit Rates - Trend Analysis



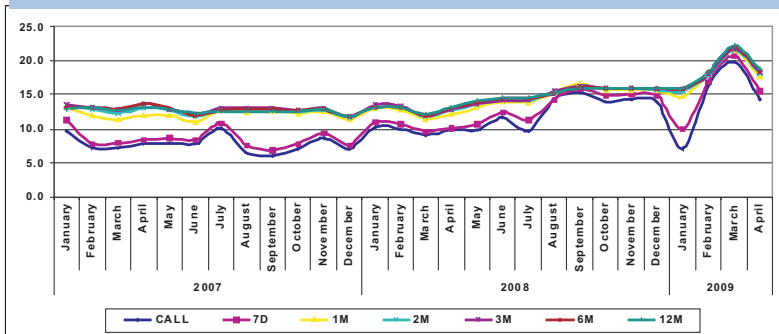
Source: FDHL & Money Market Association of Nigeria

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



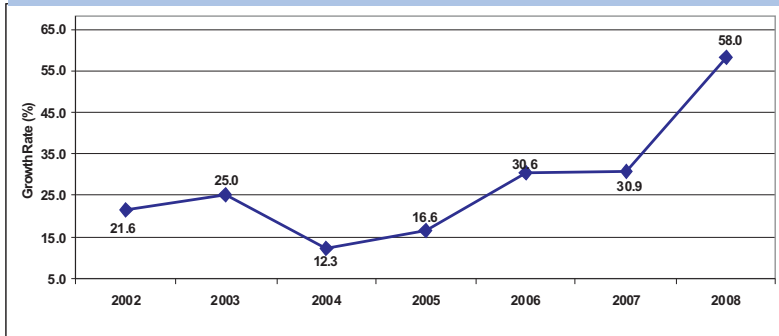
Source: CBN, FDHL & Money Market Association of Nigeria

Chart 17: NIBOR Rates - Trend Analysis



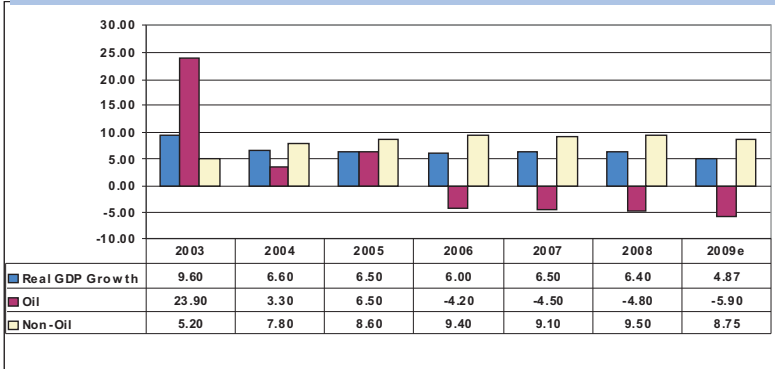
Source: FDHL & Money Market Association of Nigeria

Chart 18: Broad Money (M2)



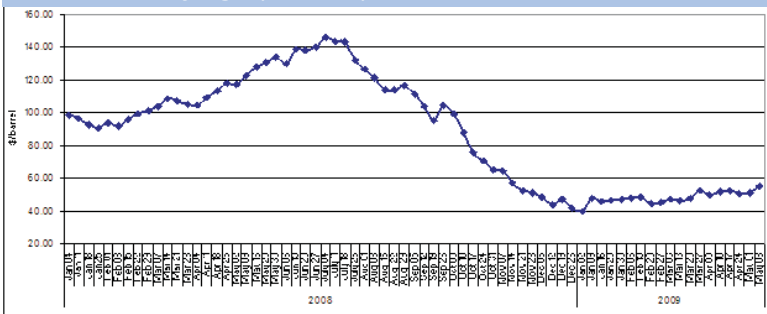
Source: CBN

Chart 19: Real GDP Growth Rates



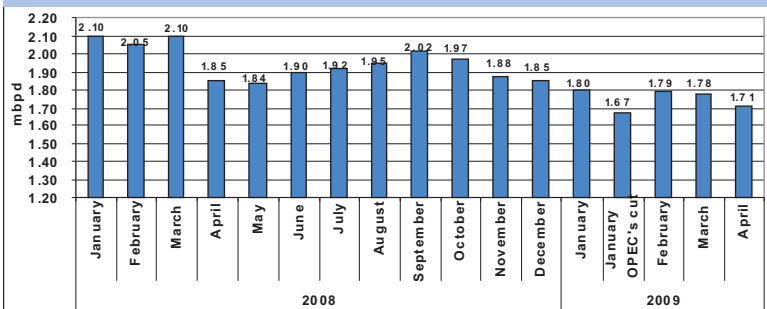
Source: CBN

Chart 20: Bonny Light (Crude Oil) Prices



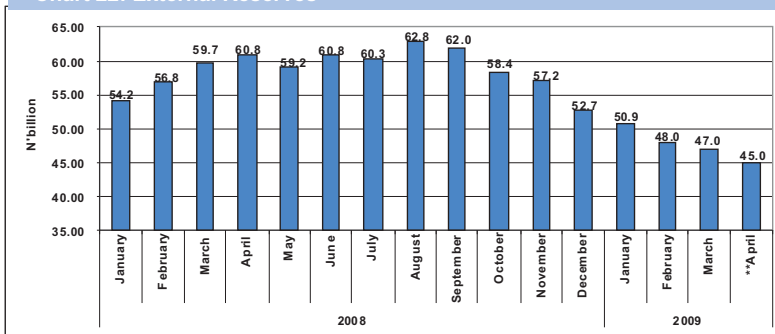
Source: Energy Information Administration (EIA)

Chart 21: Crude Oil Production



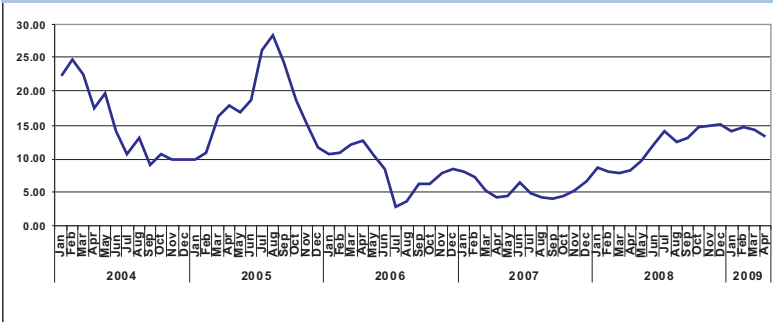
Source: CBN

Chart 22: External Reserves



Source: CBN

Chart 23: Inflation Rates



Source: OPEC

Buzz word...

Chasing the Market

Chasing the Market refers to the act of making investment decisions based on already established trend. It is the generally unwise practice of lagging behind the market by buying stocks after a rise and/or selling after a fall. This type of investment is irrational as decisions are often based on emotion rather than careful analysis of investment value and generally market consideration.

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