

Weekly Economic & Business Review

NOVEMBER 24, 2008

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- Senate Considers Bill to Revive Rail System
- FG to Enforce Ban on Sub-standard Imports
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- Ogun Proposes N100.02 Billion Budget for 2009
- Oyo Proposes N120.6 Billion Budget for 2009

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- Declining Oil Price Threatens Economy
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Politics & Policies

National Assembly has set-up a Joint Committee on Constitution Review (JCCR) to appraise the 1999 constitution. The constitution was promulgated into law by a military fiat in 1999 and has since been described as an imperfect document because of its inconsistencies in addressing National issues. The committee consists of 44 members each from the Senate and House of Representatives, and issues to be considered include fiscal federalism, state creation, revenue allocation, local government administration, immunity clause, electoral system and separation of powers.

Senate has concluded second reading on a bill which would replace the Nigerian Railway Corporation (NRC) Act of 1955. The new law would enhance private sector's participation in the development and management of railway transport sub-sector and provide for implementation of the National Rail Policy.

FG is making arrangements to fully enforce the ban on importation of substandard goods into Nigeria. There are also plans to strengthen the Nigeria Customs Service for more efficient performance.

Cross River State Government has forwarded a 2009 budget of N106.7 billion to the State House of Assembly for consideration. The proposed budget represents a 4.0% rise over the 2008 budget, with N37.1 billion and N69.6 billion allocated to recurrent and capital expenditure, respectively. The budget is to be financed from Internally Generated Revenue (IGR), capital receipt and statutory allocations with projected receipts of N7.8 billion, N52.5 billion and N51.9 billion, respectively.

Ogun State Government has forwarded a 2009 budget of N100.02 billion to the State House of Assembly for consideration. The proposed budget represents a 29.3% increase over N77.34 billion approved for 2008. Economic affairs, education and housing/community amenities were allocated N25.9 billion, N22.8 billion and N18.8 billion, respectively. The budget is to be financed from Internally Generated Revenue (IGR), capital receipt and statutory allocations with projected receipts of N43.30 billion, N28.5 billion and N24.0 billion, respectively.

Oyo State Government has forwarded a 2009 budget of N120.6 billion to the State House of Assembly for consideration. Of this sum, N49.9 billion is for recurrent expenditure, while N70.7 billion is for capital expenditure.

National Assembly Sets Up Committee on Constitution Review

Senate Considers Bill to Revive Rail System

FG to Enforce Ban on Sub-standard Imports

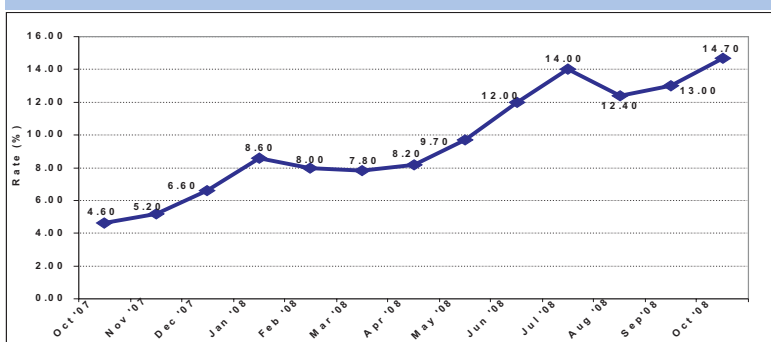
Cross River Proposes N106.7 Billion Budget for 2009

Ogun Proposes N100.02 Billion Budget for 2009

Oyo Proposes N120.6 Billion Budget for 2009

Data from the National Bureau of Statistics (NBS) shows that year-on-year inflation rate rose from 13.0% in September 2008 to 14.7% in October. Food prices, which account for 63.8% of the consumer price index (CPI) basket, increased to 19.2% year-on-year from 17.1% in September. However, the composite CPI fell, on a month-by-month basis, by 0.6% to 191.2 points in October 2008 due mainly to fall in prices of some staple food items, diesel and kerosene.

Chart 1: Nigeria's Inflation Rate



Source: NBS

Crude oil price declined to \$48.9 pb on November 20, 2008, representing a three and a half year low. The decline is driven by fears of a global recession resulting in weakening demand. Recall that the crude oil benchmark price for the 2008 budget is \$59.0 pb and the proposed 2009 budget on \$45.0 pb. Declining oil prices and disruptions to oil production due to activities of militants in the Niger Delta region threaten the country's fiscal sustainability.

Nigerian Telecommunications Ltd (NITEL) has disclosed that the South Atlantic Terminal 111 (SAT-3) cable has been restored to full service. The underwater cable, which was damaged on October 15, 2008, had disrupted internet connections in the country, thus forcing businesses to seek alternative means of connection via satellite communications. The repairs were undertaken by NOC and Alcatel Marine.

Debt Management Office (DMO) recently disclosed that a total of N1.73 trillion bonds were issued by FG between 2003 and Q3 2008 to finance various capital projects. The agency disclosed plans to introduce a 20-year bond by end-November 2008.

Bayelsa State Government (BYSG) and Shell Petroleum Development Company (SPDC) have concluded arrangements to re-construct about 12.9 kilometres of the Edepie/Tombia Road in Bayelsa at the cost of N7.5 billion. Under the arrangement, BYSG would finance 60% of the project cost, while SPDC would finance the balance. The road provides access to the Gbaran Ubie Integrated Oil and Gas Project and Wilberforce Island.

Katsina State Government has disbursed the sum of N106.5 million in loans to small and medium scale enterprises (SMEs) in the state. About 11,222 SMEs covering tailoring, block making, welding and knitting have benefited from the loans.

Kwara State Government and Aviation Training and Consulting Institute (ATCI), a Dubai-based company, have signed a Memorandum of Understanding (MOU) on the establishment of an international aviation college in the state. About 40 students would commence training on flying an aeroplane in May 2009, while another 20 students would receive helicopter flight training. The objective of establishing the school is to train pilots to address the current shortages in the country.

Bauchi State Government has disclosed plans to build a 100 megawatt (mw) power plant, worth over \$100 million in the state. Of the 100 mw of electricity to be generated, 75 mw would be utilised by the state, while the remaining 25 mw would be sold to Power Holding Company of Nigeria (PHCN). Alstom Power Services, German-based Company, would provide consultancy services to the project.

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Economy

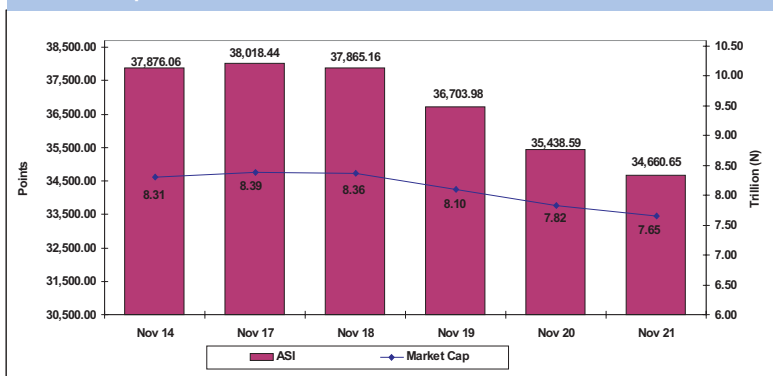
A recent report by Merrill Lynch named Nigeria as the least vulnerable economy to the on-going financial crisis. The assessment was based on seven key risk indicators, namely: current account financing gap, foreign exchange reserves/short-term external debt ratio, private credit-to-GDP ratio, and private credit growth, loans to deposits and banks capital-to-assets ratio. The other countries with low vulnerability include Mexico, Philippines, Colombia and Egypt, while Australia, Switzerland, Korea, Romania, Hungary, Sweden, Bulgaria, Euro area, UK and US were identified as economies with highest risk.

Merrill Lynch Ranks Nigeria as World's Safest Economy

The Capital Market

The capital market was bearish during the week ended November 21, 2008, as both market capitalization (MC) and All-Share-Index (ASI) declined by 7.94% and 8.49%, respectively to N8.31 trillion and 37,876.06 points. The ASI and market capitalization have fallen by 40.23% and 24.85% ytd, respectively from 57,990.22 points and N10.18 trillion recorded on January 1, 2008.

Chart 2: Equities Market - 1 Week Trend



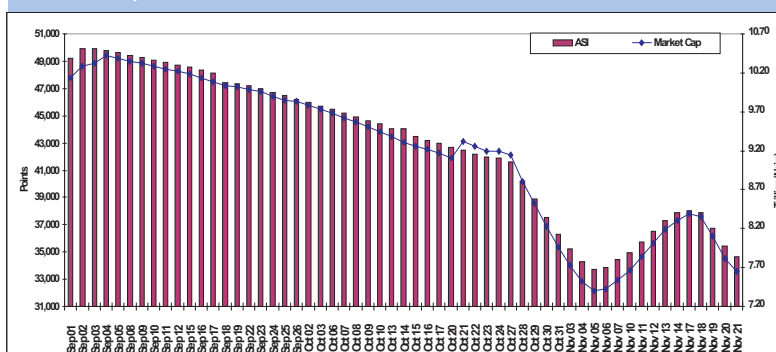
Source: NSE

Table 1: Equities Market at a Glance

	Current Week	Previous Week	% change	Ytd Change (%)
ASI	34,660.65	37,876.06	8.49	40.23
Market Cap (N'trillion)	7.65	8.31	7.94	24.85
Volume (million)	2.41	2.00	20.5	-
Turnover (N'billion)	20.99	18.55	13.15	-

Source: NSE

Chart 3: Equities Market

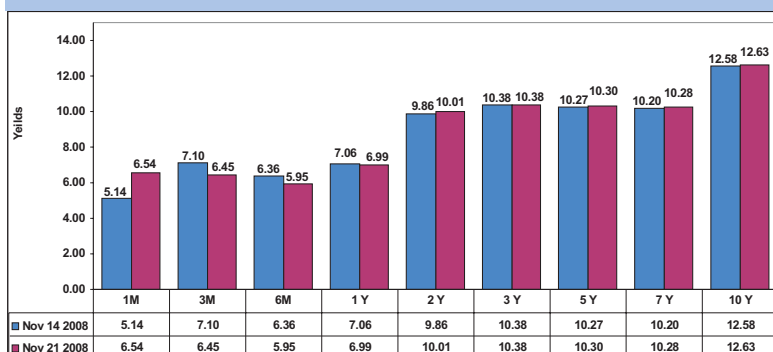


Source: NSE

FGN Securities

Yields on FGN securities exhibited mixed trends during the week under review. The yields on all treasury bills (TBs) declined, except 1-month TBs, which rose by 140 basis points, while yields on bonds rose marginally.

Chart 4: FGN Securities Yield - November 14 vs November 21 2008



Source: FDHL

NIBOR Rates

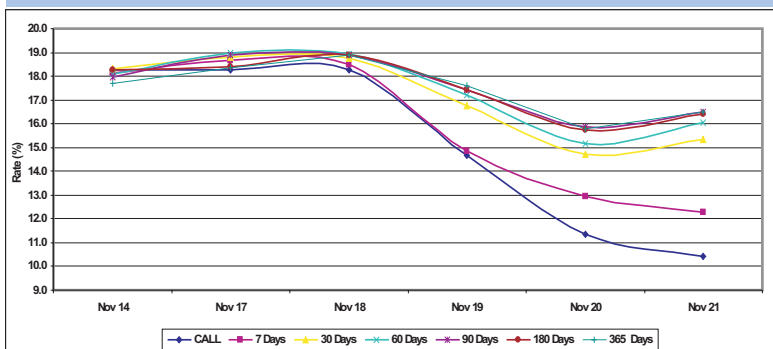
Interest rates generally declined at the inter-bank market during the week ended November 21, 2008. The most significant changes were on the call, 7-day, 30-day and 60-day interest rates which fell by 783, 587, 298 and 204 basis points, respectively. The decline in rates were due to the FAAC allocations and maturing bills which hits the system during the week.

Table 2: NIBOR Rates

Date	Tenor						
	CALL	7 Day	30 Day	60 Day	90 Day	180 Day	365 Day
Nov 17	18.2917	18.6833	18.7917	18.9583	18.8750	18.4167	18.3750
Nov 18	18.2917	18.5000	18.7500	18.9250	18.8750	18.8750	18.8750
Nov 19	14.6667	14.8333	16.7500	17.2083	17.4167	17.4167	17.5833
Nov 20	11.3333	12.9583	14.7083	15.1667	15.8750	15.7500	15.7917
Nov 21	10.4167	12.2750	15.3333	16.0417	16.5147	16.4167	16.5000

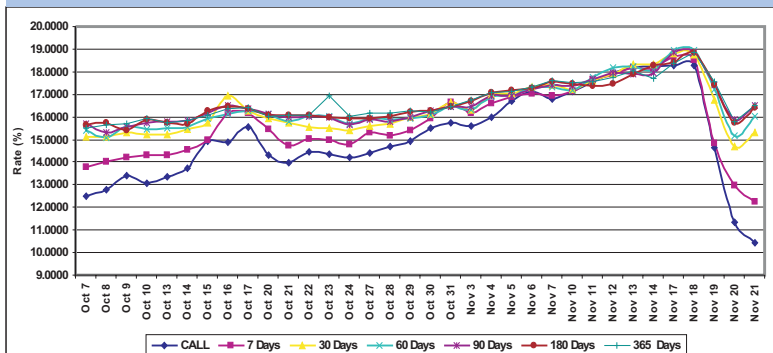
Source: FDHL

Chart 5: NIBOR Rates - 1 Week Trend



Source: FDHL

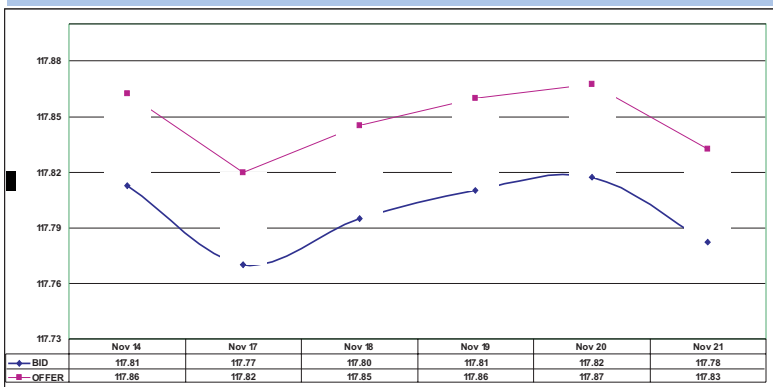
Chart 6: NIBOR Rates - Trend Analysis



Source: FDHL

NIFEX Spot Rates

Chart 7: NIFEX Spot Rates - 1 Week Trend

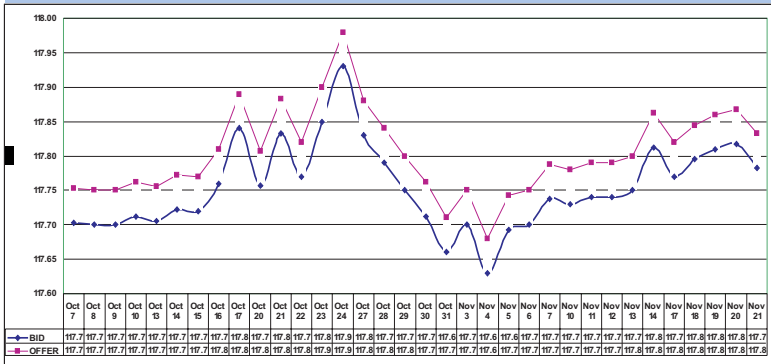


Source: Money Market Association of Nigeria

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Market Analysis

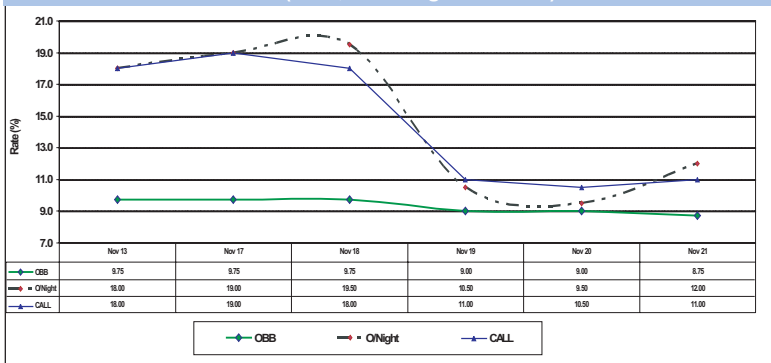
Chart 8: NIFEX Spot Rates - Trend Analysis



Source: Money Market Association of Nigeria

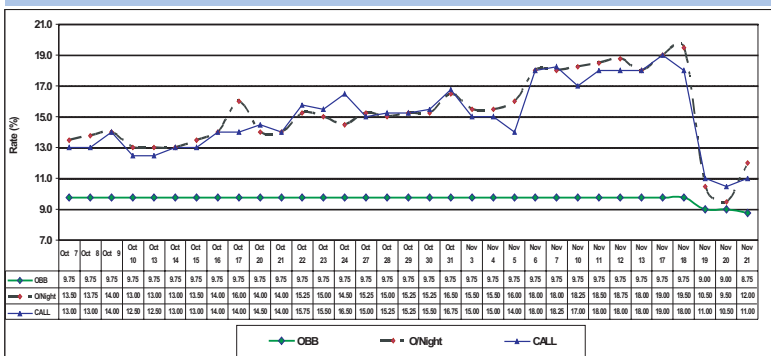
Inter-bank Rates

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



Source: FDHL

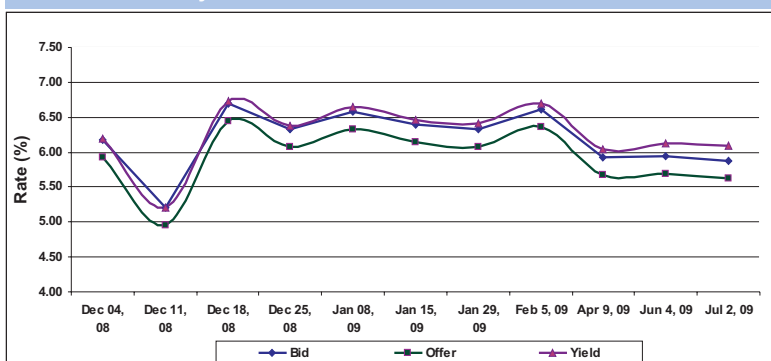
Chart 10: Inter-bank Rates (OBB, Over-Night and Call) - Trend Analysis



Source: FDHL

Treasury Bills

Chart 11: Treasury Bills - Mark to Market Rates and Yield



Source: Money Market Association of Nigeria

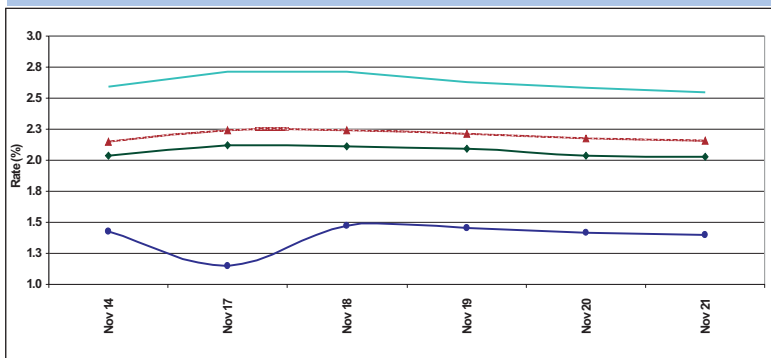
Maturing OMO

Table 3: Primary Market Auction (PMA)

Tenor	Amount (N'000)	Rate (%)	Date
91 Day	5,000.00	6.80	27-November-2008
182 Day	35,000.00	6.90	27-November-2008

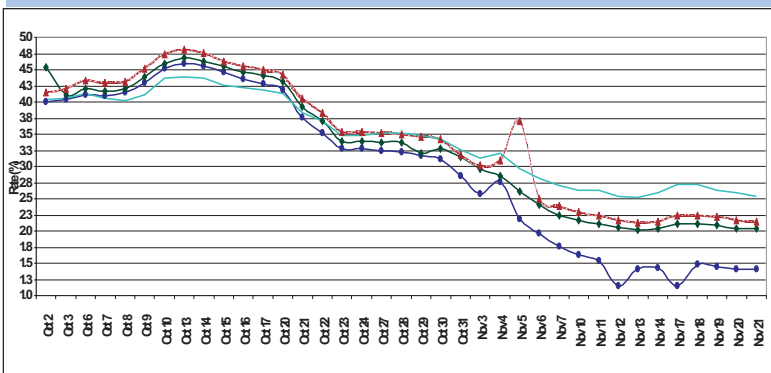
Source: Money Market Association of Nigeria

Chart 12: LIBOR Rates - 1 Week Trend



Source: Money Market Association of Nigeria

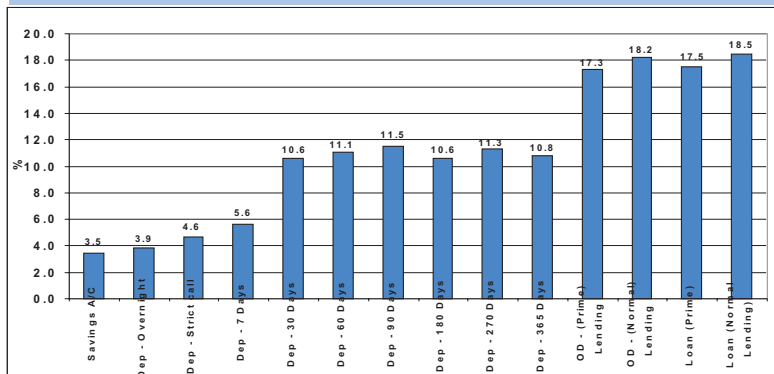
Chart 13: LIBOR Rates - Trend Analysis



Source: Money Market Association of Nigeria

Average Deposit and Lending Rates

Chart 14: Average Deposit & Lending Rates as at November 21 2008



Source: Money Market Association of Nigeria

Exchange Rates (N/\$)

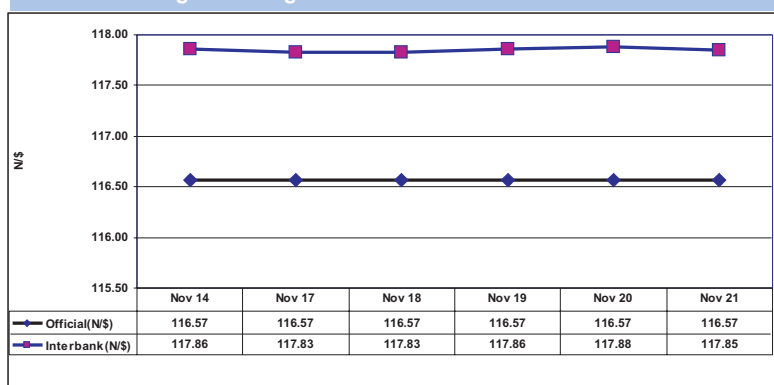
The value of naira viz-a-viz US dollar appreciated by 20 kobo to close at N118.80/\$1 at the parallel market. At the inter-bank market, the naira depreciated by 5 kobo to N117.85/\$1, but remained unchanged at N116.57/\$1 at the official market.

Table 4: Exchange Rates (N/\$) Market

	November 13	November 21
Official	116.57	116.57
Inter-bank	117.80	117.85
Parallel	119.00	118.80

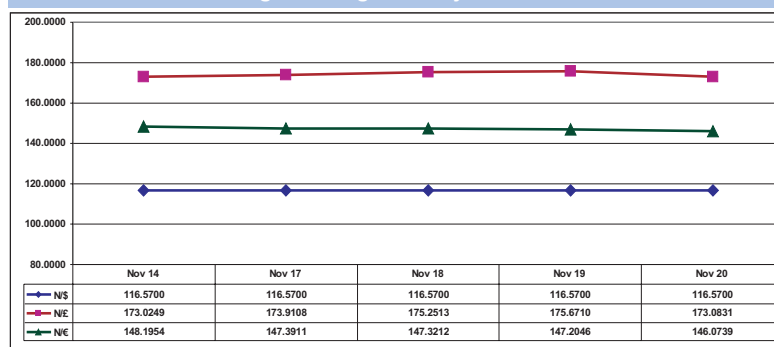
Source: CBN

Chart 15: Foreign Exchange Rates Trend - Official vs Interbank



Source: CBN

Chart 16: Naira Exchange Rate Against Major Currencies



Source: CBN

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Business Update

Nigerian Stock Exchange (NSE) disclosed that turnover stood at N2.3 trillion as at October 2008, representing a 35.3% increase over N1.7 trillion recorded in corresponding period of 2007. Meanwhile, NSE opened a branch in Abeokuta, Ogun State on November 17 2008, which takes the number of branches to 8. The location of branches include Kaduna (1978), Port Harcourt (1980), Kano (1989), Onitsha (February 1990), Ibadan (August 1990), Abuja (October 1999) and Yola (April 2002). The head office of the Exchange is in Lagos.

Globacom, Nigeria's 2nd national carrier, has announced that its 9,500 kilometre submarine cable worth \$150 million would be launched in March 2009. The connection would run from Bude (UK) to Lagos through a 640 Giga bytes fibre optic cable laid undersea. About 4,400 kilometres of the cable has been laid from UK, through Portugal to Nouakchott (Mauritania). The objective of the project is to improve quality of the Glo network and enable interconnectivity with other international networks/leading traffic carriers across the globe.

Standard Alliance Insurance Plc has reported a Q3 2008 profit after tax (PAT) of N1.1 billion, representing a 328.0% increase over N257.0 million recorded in the corresponding period of 2007. Gross premium also grew by 77.8% from N1.8 billion to N3.2 billion, while shareholders' fund grew by 272.3% from N6.5 billion to N24.2 billion in the same period.

Cornerstone Insurance Plc has reported a Q3 2008 profit after tax (PAT) of N468.1 million, representing a 44.3% decline below N840.7 million recorded in the corresponding period of 2007. Pre-tax profit also declined by 86.3% from N1.1 billion to N590.1 million. Cornerstone attributed the decline to a new policy guideline by the National Insurance Commission (NAICOM) requiring insurance companies to increase provisions for doubtful premium debtors, and diminution in value of investments.

Benue Cement Company Plc grew its Q3 2008 profit after tax (PAT) by 175.1% to N4.8 billion, while turnover also grew by 117.8% from N4.5 billion to N9.8 billion in the same period.

Air France-KLM Group, Europe's biggest airline, has reported a Q2 2008 net profit of 244 million euros (\$304 million), representing a 49.1% decline below 479 million euros recorded in the corresponding period of 2007. The decline was attributed to high fuel costs during the quarter. Sales, however, rose by 3.2% to 6.7 billion euros in the same period.

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Regional Developments

Government to Receive \$1 Billion from World Bank

Angola's Government has secured a \$1 billion loan from the World Bank (WB) to facilitate diversification of the country's economy away from crude oil. WB would release \$250 million each year from June 2009 to June 2013 to boost investment and production in non-oil sectors, including agriculture and banking. Angola is sub-Saharan Africa's 2nd largest oil producer, with crude oil accounting for about 85% of its GDP.

World Bank Cuts 2008 Growth Forecast

World Bank has revised its forecast for Cote d'Ivoire's 2008 GDP growth from 3.0% to 1.8% due mainly to increasing effects of the global economic crisis. The bank stated that the crisis would continue to weigh down on economic growth with lower commodity prices and reduced demand for imports in industrialized countries. Cote d'Ivoire is the world's biggest producer of cocoa.

Inflation Rises to 9.4%

A recent report from the National Statistical Office shows that Malawi's inflation rose from 9.3% in September 2008 to 9.4% in October due mainly to higher food costs. Food inflation rose by 7.4% in October 2008, up from 7.3% recorded in September.

Inflation Rises to 11.8%

Data released by the National Bureau of Statistics (NBS) show that inflation rose from 11.6% in September 2008 to 11.8% in October. The level is above government's 7.0% inflation target for end-2008 and is attributed to increases in cost of food.

Government Revises 2008 Economic Growth Forecast

Government has revised 2008 economic growth forecast from 7.8% earlier announced to 7.5%, due to slowdown in tourism and lower exports resulting from the global financial crisis. The country relies on gold and coffee for its export earnings, demand for which have reduced due to the crisis. Tanzania's economy grew by 6.7% and 7.1% in 2006 and 2007, respectively.

Inflation Falls to 13.1%

Data from the Central Statistics Office shows that inflation rate fell from 14.0% in September 2008 to 13.1% in October due to fall in the retail prices of diesel and petrol.

Angola

Cote d'Ivoire

Malawi

Tanzania

Botswana

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World Economy

Inflation Falls to 3.7%

Data released by the US Labour Department shows that inflation rate fell from 4.9% in September 2008 to 3.7% in October, marking the 3rd consecutive month of decline. The trend was attributed to fall in food and energy costs.

Inflation Falls to 4.5%

A recent report from the Office for National Statistics (ONS) shows that UK's inflation rate declined from 5.2% in September 2008 to 4.5% in October, marking the first fall in 15 months. The decline in inflation was attributed to fall in fuel and lubricant prices. Meanwhile, the Bank of England (BOE) is expected to concentrate efforts on stimulating the economy. Recall that UK's economy contracted by 0.5% in Q3 2008 and stagnated in Q2 2008.

Q3 2008 GDP Contracts by 0.1%

A recent report by Japan's Statistics Office shows that the economy shrank by 0.1% in Q3 2008, following a contraction of 0.9% in Q2 2008. This trend fuels prediction of a recession in Japan - the world's second largest economy. On October 31, 2008, the Bank of Japan (BOJ) cut its key rate from 0.5% to 0.3% to stimulate economic growth and lending.

World Bank Lowers GDP Growth Outlook

World Bank has revised the country's GDP growth for 2008 and 2009 from 6.8% and 6.5% to 6% and 3%, respectively, due to effects of the global financial crisis. Meanwhile, recent data from Russia's Statistics Service show that foreign direct investment (FDI) in the country declined by 29.9% to \$17.3 billion in Q1 2008 and 18.0% to \$29.3 billion in Q2 2008, but rose by 6.1% to \$29.2 billion in Q3 2008.

Unemployment Rate Falls to 7.5%

A recent report by the National Statistics Agency shows that unemployment rate declined marginally from 7.6% in September 2008 to 7.5% in October. The decline was attributed to increases in employment in both the construction and service sectors of the economy.

United States

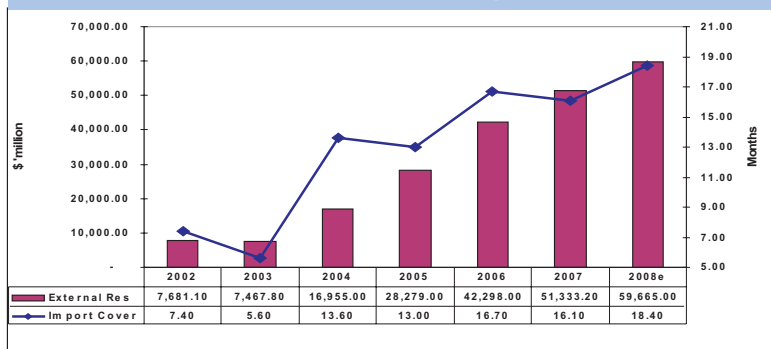
United Kingdom

Japan

Russia

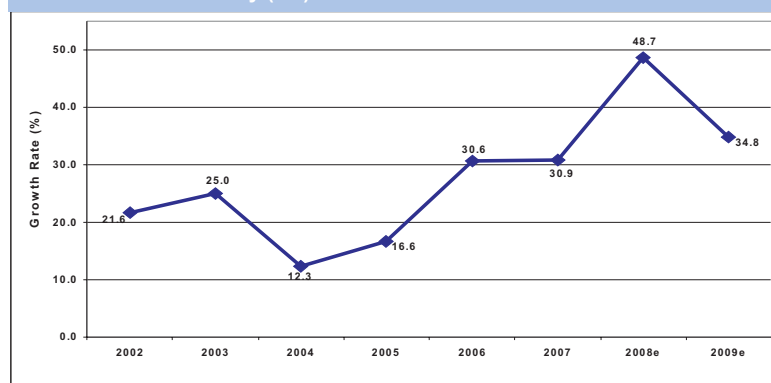
Brazil

Chart 17: External Reserves and Months of Import Cover



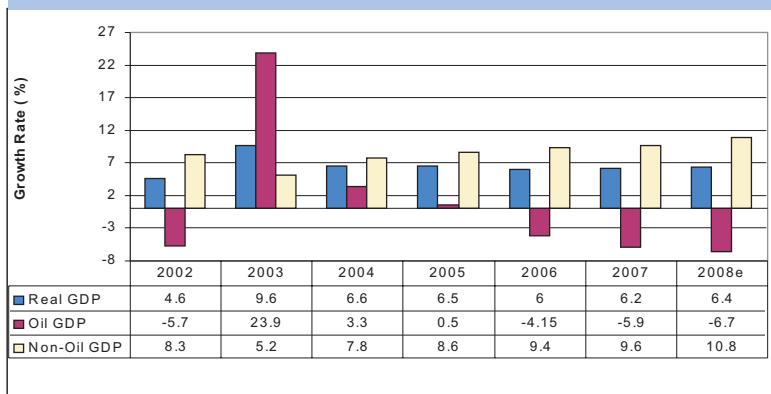
Source: CBN, Access Economic Intelligence Group

Chart 18: Broad Money (M2)



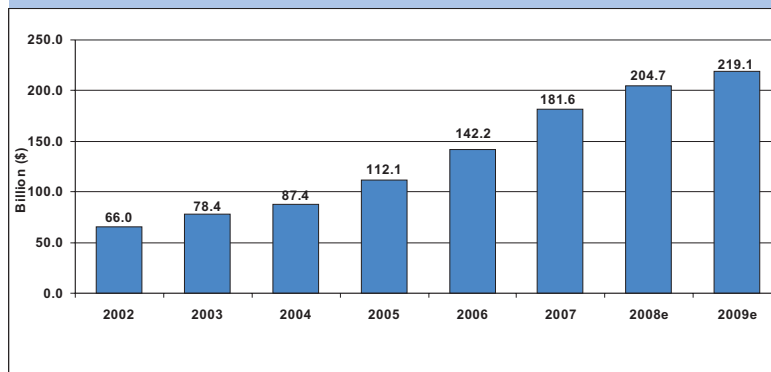
Source: CBN, Access Economic Intelligence Group

Chart 19: Real, Oil & Non-Oil GDP Growth Rate



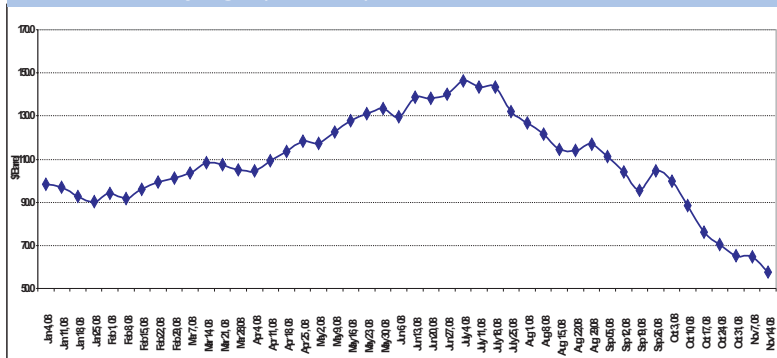
Source: CBN, Access Economic Intelligence Group

Chart 20: Nominal GDP



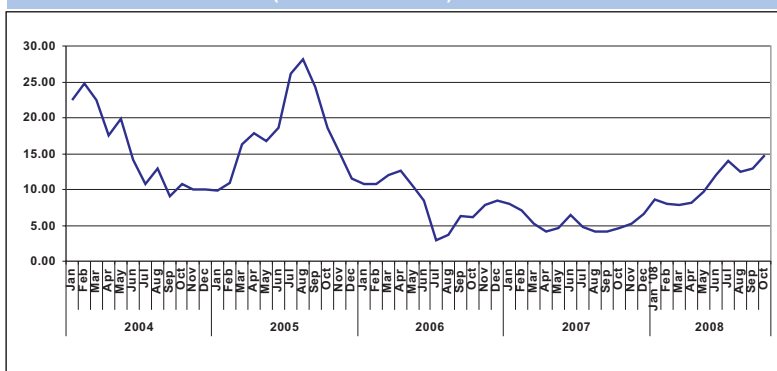
Source: CBN, Access Economic Intelligence Group

Chart 21: Bonny Light (Crude Oil) Prices



Source: Energy Information Administration (EIA)

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



Source: NBS

Buzz word...

Bear Squeeze

A bear squeeze occurs when a security has been heavily short sold (relative to its liquidity) or had other types of bearish positions taken on it (e.g derivatives position), then, if the price rises, there can be heavy demand from bears (investors who are pessimistic about the prospects for a market) seeking to cover their positions and limit losses. The result of this is that the demand from bears increase prices still further, increasing the bears' losses. This is a bear squeeze.

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