ECONOMIC & BUSINESS NEWSLETTER

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Lagos Merriment Market Valued at N12b

The value of parties and entertainment in Lagos is put at N1 billion monthly. According to the study conducted by Lagos State Ministry of Economic Planning and Budgeting, parties and merriment is a big market in Lagos. The major beneficiaries of this spending include, drinks, wine, food, aso-ebi (uniforms), master of ceremony/comedians, event centres/venues and rental services. The most common events include: wedding, naming ceremonies, political and other social gatherings.

Consumption Gulps Two-thirds of Nigeria's Income

The agriculture and food manufacturing sectors have continued to be the highest employers of labour in Nigeria. Food consumption gulps almost two-thirds of the nation's revenue. A recent household survey report indicates that Lagos and Kano are the biggest consumers of the country's food, with shares of 9% and 7% respectively as at 2010.

The report also named Lagos and Kano states as the biggest spenders on household goods. It noted that one-eighth of non-food expenditure goes towards household goods. Lagos and Kano account for 8% and 7% respectively, of national spending on household goods.

Infrastructure Bank to Invest $2.5bn on Lagos Rail Development

Infrastructure Bank led by its Vice Chairman, Mr Jonan Kruger, has disclosed that the Lagos light rail project from Marina through Iddo to Agbado will cost about N400 billion ($2.5 billion). Kruger told newsmen in Lagos that the project, tagged Redline Light Rail Project, would be funded by the bank and managed by Marina Express Consortium, a consulting firm. The Redline project was designed to be funded by the private sector to ease transportation problems in Lagos. Kruger said that the bank has entered into negotiation with the Lagos State Government to ensure that the project was profitable.

2013 Budget Faces a Record Threat

The 2013 national budget may derail on account of lower-than-expected oil revenues. Declining oil revenues, arising from lower prices and massive oil theft (valued at $55 million daily), are set to upturn the budget and make nonsense of our national planning. By basing the budget on assumed production of 2.53 million bpd without the political will and the ability to suppress oil theft and vandalism, the government also goofed.

Seven States Control 90% of Cash Transactions

The CBN has said Lagos and the six other states control about 90 per cent of cash transactions in the country. The other States are Rivers, Anambra, Abia, Kano, Ogun and the Federal Capital Territory (FCT). The CBN Deputy Governor, Operations, Mr. Tunde Lemo, disclosed this. According to Lemo, this was one of the factors that necessitated the planned extension of the cashless policy to those States from July 1, this year. He said the cashless policy had been successful in Lagos, adding that the number of point of sale (PoS) terminals in the state has increased significantly from about 5,000 when the policy took off last year, to over 150,000.

Foreign Insurers Plan kidnapping cover for Nigerian Market

The spate of kidnappings and other security challenges in the country are making foreign insurers to show interest in providing special covers for the Nigerian market. The Senior Broker and Account Executive, Afro-Asian Insurance Services Limited, an international insurance and reinsurance brokers, Mr. Chris Davies, said the firm came to meet with some of the local underwriters and explore the possibility of providing covers for special risks in the country. The local underwriters are yet to develop the technical capacity to underwrite losses arising from risks such as kidnapping, bombing and other security issues.

ECONOMIC INDICATORS

Monetary Policy Rate (MPR): CBN's Monetary Policy Committee held a meeting between 20th and 21st of May, 2013. In recognition of some perceived positive impact of previous tightening policy stance on the rate of inflation, external reserves and exchange rates up to December, 2012, the Committee, decided to maintain the current policy stance i.e.,

- ✓ To retain the MPR at 12% with a corridor of +/- 200 basis points around the midpoint;
- ✓ Retain the CRR at 12%; and
- ✓ To retain the Liquidity Ratio at 30%
- ✓ Net Open Position at 1%

Inflation Rate Ascends to 9.1%: Nigeria's inflation rate rose to 9.1% (year-on-year) in April 2013, (10 basis points lower than the median forecasts of 9.2%) from 8.6% in March 2013. The Nigerian Bureau of Statistics (NBS) hinged the rise in the headline number to the increase in the prices of food. According to the NBS, food prices increased in April due to the decline in inventories.

Exchange Rate: The exchange rate between the Naira and other major currencies shows that the Naira maintained a close range fluctuation against the major currencies (Dollars, Pound Sterling and the Euro) and particularly fluctuated between N155 and N158 against the US Dollars. The Naira firmed up against the Pounds and Euro in the first quarter.

Economy Grows by 6.54% in Q1-2013: NBS estimates the nominal GDP for the first quarter of 2013 at N9.49 trillion as against N9.14 trillion during the corresponding quarter of 2012. It noted that within the two broad sectors of the economy, the non-oil sector growth was driven by growth in activities in the building & construction, hotels and restaurants, real estate services, manufacturing, finance and insurance and solid minerals, among others.

Money Market Indicators

Money Market Indicators	*Year Begin 02-Jan-13*	*Current 20-May-13*
Savings A/C	2.04%	2.05%
Overnight	3.99%	4.29%
Strict Call	3.50%	3.66%
7 Days	4.15%	4.39%
30 Days	7.35%	7.67%
60 Days	7.78%	8.10%
90 Days	8.16%	8.35%
180 Days	8.64%	9.12%
270 Days	8.60%	8.90%
365 Days	9.05%	9.02%
OVERDRAFT		
Prime	18.02%	18.20%
Normal Lending	22.22%	22.22%

Macroeconomic Indicators

Macroeconomic Indicators	*Year Begin 17-Jan-13*	*Current 19-Apr-13*
Monetary Policy Rate	12.00%	12.00%
Standing Lend. Rate	14.00%	14.00%
Standing Dep. Rate	10.00%	10.00%
Liquidity Ratio	30.00%	30.00%
Cash Reserve Ratio	8.00%	8.00%
Inflation Rate	9.00%	9.10%

FX Market Indicators	*Jan 1, 2013*	*Current May 29, 2013*	*Change*
NGN/USD	155.77	155.74	0.0%
NGN/GBP	253.89	236.83	-6.7%
NGN/EUR	206.47	200.4	-2.9%
INTERBANK ($/NGN)	156.67	158.5	1.2%
BDC ($/NGN)	158	159.5	0.9%
PARALLEL ($/NGN)	158.5	160	0.9%

External Reserves: Nigeria's External Reserve stood at US$48.5billion as at 20th May, 2013. It is believed that the tight monetary policy stance of the Central Bank of Nigeria throughout the first quarter may have contributed to the boost so far. Though the figure has not reached the $50billion FG target, this amount conveniently covers Nigeria's eleven months of imports.

Stock Market

Stock Market - Sustaining a Positive Momentum: The Nigerian Stock Exchange (NSE) closed the first quarter on a positive note as one of the best performing equity market in the world. Year to May 28, Indicator such as market capitalisation of the listed equities rose by N2.8tn or 31.3% from N8.974tn recorded at the beginning of the year to N11.77tn. Similarly, the NSE All-Share Index was up by 8,.739 basis points or 31.1% to close the quarter at 36,817.25 basis points, up from 28,078.81 points recorded at the beginning of the year.

Business Confidence Index for Q2-2013 improves amid Uncertainties

The 2nd quarter 2013 aggregate Business Confidence Index (BCI) recorded a modest improvement of 16.5% from the 10.5% it achieved in Q1 2013. This represents a six point movement of the index along a positive trajectory. This improvement notwithstanding, BCI scores for Q1 and Q2, 2013 continues to trail far below the 50% global confidence threshold. Investors and business leaders are still wary about the state of the economy and the challenging business environment.

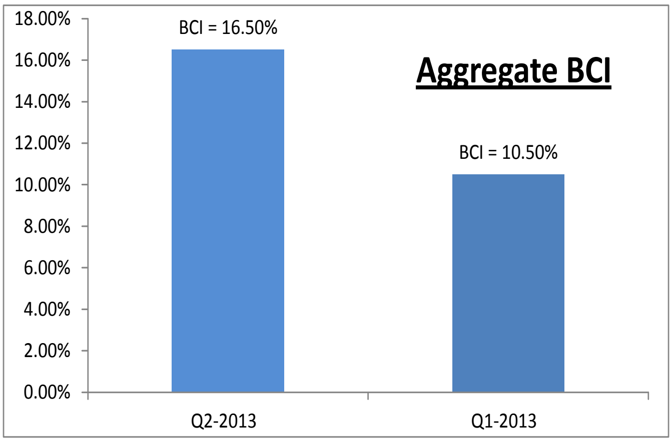
Private Jets in Nigeria Projected to be 500 by 2020

The Federal Government has said that Nigerians will acquire about 420 private jets within the space of seven years from 2013 to 2020, which will add to the 80 currently in operation. This came just as international experts said that Nigeria and China topped the list of countries currently buying private jets, following recession in North America and Europe.

Stock Market Indicators

Stock Market Indicators	Date	Points	Growth - yr to date (%)
NSE INDEX	May 28	36,907.99	31.44
NSE 30	May 28	1,760.83	31.79
NSE BANKING	May 28	422.72	24.46
NSE F&B	May 28	1,070.03	27.54
NSE INS	May 28	145.9	23.13
NSE LII	May 28	2,547.73	44.02
NSE O&G	May 28	187.22	22.43
Capitalization (N)	May 28	11.77	31.1

BCI –Q2 & Q1 2013



Cashless Policy Extension Commence July

The Deputy Governor, Operations of the Central Bank of Nigeria (CBN), Mr. Tunde Lemo has reaffirmed that the planned extension of the cashless policy to five states as well as the Federal Capital Territory (FCT) from July 1 remains sancrosanct. These states include Rivers, Kano, Anambra, Ogun and Abia as well as the FCT.

At an output level of 1.85 million against the budgeted 2.4 barrels per day, Nigeria is currently loosing N8.5 billion ($55 million) daily due to oil theft, bunkering, illegal refineries and rising insecurity.

ICT: Becoming a Bigger Contributor to Nigeria's GDP

The information and communication technology (ICT) sector continues to sustain its position as the fastest growing industry in the Nigeria economy. The sector has grown at an average of 34% per annum over the last 10 quarters driven largely by the rapid expansion in telecommunication following the deregulation of the subsector in 2001. The industry's contribution to GDP is growing modestly from less than 0.5% in 2001 to 6% in 2012. With a population in excess of 160 million people, low but rising per capita income and a substantially youthful demographic structure, the ICT industry has the potential to drive the national economic growth at the much desired double digit rate.

Mobile Number Portability Set to Thrive

The Nigeria communication Commission (NCC) commenced the pilot phase of mobile number portability (MNP) in Nigeria. The scheme is poised to transform the telecom sector positively in favour of subscribers but could be self-defeating where stakeholders' activities, including the regulators, are not complementary especially in relation to the incentives for operators to increase capacity when necessary. For now, the level of awareness remains low and the porting duration is relatively longer compared to what obtains in some of our neighbouring countries.

Government Spending on a Steady High

The CBN has threatened to increase the Cash Reserve Requirement (CRR) if the rate of spending in the country continues. The FGN had spent over N2 trillion in the past four months. The emergency rule declared in some state and initial preparation for the 2015 elections will potentially keep the high spending on a steady trend.

Leasing industry Post Impressive Record

Equipment Leasing Association of Nigeria (ELAN) has revealed an outstanding lease volume of N671 billion for 2012, representing a growth rate of 7.8% over the previous year's figure of N623 billion. According to a statement from the association, this shows that the Nigerian leasing industry is experiencing growth despite the various challenges facing the nation, more businesses are beginning to embrace leasing as a financing model, new investors are venturing into this profitable line of business. Analysis of the various sectors revealed that, the oil and gas sector continued to dominate the industry with 32.4% of total transactions. Apart from banks and other independent lessors who are major contributors, new entrants especially the insurance subsidiaries are making wave.

Porting Duration in Selected Countries

Country	Mobile Number Porting Duration
USA	Two (2) Hours
UK	Two (2) days
Singapore	One (1) day
Australia	Three (3) minutes
India	Seven (7) Days
South Africa	One (1) day
Ghana	Twenty Two (22) Minutes
Kenya	Two (2) days
Nigeria	Two (2) days

Source: Telecordia Technologies, Various Media Sources

Nigeria Leads in African Syndicated Loans Market

Nigeria's borrowers have led the way in Africa's syndicated loan market so far this year, with more than $10 billion of deals signed or about to be concluded, with Citibank being a major player in most of the deals. Between 2007 and 2012, over $700 billion was raised in the Nigerian syndicated loan market. Telecom and oil & gas sectors accounted for about 86% of Nigerian syndicated loan.

Sovereign Wealth Fund Investments begin June

Authorities at the Nigerian Sovereign Investment Authority (NSIA) has announced that they would in June, begin investment of the stabilisation and future generation components of the nation's $1billion Sovereign Wealth Fund (SWF), seven months after the body was inaugurated. But investments of the infrastructure component would begin towards the end of the year. For now, the Board of NSIA has approved an investment allocation formula to the three funds that make up the SWF in the ratio of 32.5% each for the future generation and Nigerian Infrastructure Funds, while the Stabilisation Fund gets 20%. Consequently, $200 million would go into the stabilisation fund, $325m would go into the future generation and infrastructure funds respectively, leaving about $150m funds unallocated.

Lagos Issues N35bn Fourth Tranche Development Bond Q3

The fourth tranche of Lagos total N275 billion will be on offer to the public in the third quarter (Q3) of this year. Under the fourth tranche of the multi-year infrastructure development bond, the state intends to issue N35 billion for subscription. It had in 2009 under the first tranche issued N50 billion, N75 billion in 2010 and N80 billion in 2012, which were oversubscribed. The state had following the floating of the N275 billion bond in line with the rules and regulations reflected in the bond prospectus, established a sinking fund to which it remits 15% of its monthly internally generated revenue (IGR) as Consolidated Debt Service Account (CDSA) to enable it pay accruing interests and principal on the bond issuance programme. Lagos currently generates about N20 billion monthly from IGR.

Demand for Nigerian Crude to fall as OPEC Spare Capacity Surges on Shale

The demand for Nigerian crude is set to fall as OPEC's spare crude oil production capacity is expected to surge 25% in the next two years due to U.S. shale output which will crimp demand for the group's supplies (International Energy Agency). The Organisation of Petroleum Exporting Countries (OPEC) is forecast to increase its implied spare output capacity to a peak at 7.18 million barrels a day in 2015 versus 5.76 million this year, the IEA said in its medium-term oil market report. The figure is calculated by subtracting the anticipated demand for OPEC crude from the group's total production capacity. The organisation's 12 members are "facing headwinds from the shale oil and gas boom in North America," which may supplant some OPEC supplies.

IOCs Divest $7bn oil Assets from Nigeria in Four Years

In the past four years, International Oil Companies (IOCs) have divested much of their oil assets in Nigeria, deriving earnings of over $7 billion from the sales. In what may have been the latest of the asset disposition by oil majors, Brazilian oil company, Petrobras, which began operations in Nigeria in 1998 in the deep waters off the coast of the Niger Delta, was recently reported to have commenced moves to sell off its stakes in Nigerian oil fields, to raise cash for domestic projects, a deal that may fetch the company up to $5 billion. Analysts believe that the divestments by some of the IOCs are linked to the uncertainties surrounding the Petroleum Industry Bill (PIB), which has also made oil majors hold back on investments.

Nigeria's Prospects in the Evolving Global Oil Market

The evolving global energy market dynamics suggest an urgent need to take a sober look at the Nigeria oil and gas subsector in particular and the energy sector in general, especially given the importance of the sector to the Nigeria economy. Despite the declining contribution to the nation's Gross Domestic Product (GDP) – current at 13.42%, the extreme dependence of government finances and external trade balances on proceeds from the sector exposes the nation to significant risks from oil price and production shocks.

State of Emergency: Implications for business

In response to the spate of insurgents' attacks in the north-eastern part of the country, the Federal Government declared a state of emergency in the three most affected states: Borno, Yobe and Adamawa. This is expected to post a marginal effect on business and aggregate real activities. Expectedly, agricultural production would marginally be affected and thereby could cause a little scarcity of raw materials such as cereals. Brewers' products widely consumed in those states may record lower sales as distribution to those states are likely to suffer some setbacks.

FG activates $500m AfDB Loan for Intervention in Power Sector

The Federal Government has activated a $500 million African Development Bank (AfDB) loan aimed solely for intervention in the power sector. The loan, to be released in $100 million tranches, was activated by the inauguration of a technical monitoring committee at the ministry of power. By year end, National Independent Power Projects (NIPPs) are expected to provide additional generation capacity of about 2,200 MW. With government objective to achieve 10,000 MW in 2014 and 20,000 MW in 2016, the urgent need to expand the transmission capability to evacuate the projected additions becomes all the more imminent.

2013 Lagos International Trade Fair

The 2013 trade fair is scheduled to take place from Friday 1st November to Sunday 10th November 2013. The prospectus has been lunched and prospective exhibitors can access the registration forms and other necessary information from the prospectus. The fair will provide record sales, marketing, research, branding, and financial benefit for participating companies. Please visit the LCCI website (www.lagoschamber.com) for more information.