

**THE LAGOS CHAMBER
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July 2013

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Shale Oil Discovery by US: Implications for Nigeria

The discovery of shale oil by the United States to meet its domestic crude oil needs may adversely affect Nigeria's revenue and that of other African economies. This fear is fueled by the possibility of the US exporting to users of Nigerian oil after satisfying local demands. Nigeria is not seen as competing favorably with the US in a common supply market.

Early in June, the Energy Information Administration which is the Energy Department's statistical arm of the US government, showed that domestic crude oil production exceeded imports for the first time in 16 years.

The volatility in Nigeria's oil production levels also poses a threat to our exports as most of our importers may prefer a likely more stable supplier like the US for crude oil supply. While we expect the Nigerian Government to initiate research into this phenomenon, the immediate suggestion is the urgent need to diversify into non-oil sectors of the Nigerian economy.

The Presidency has however allayed our fears stating that Europe has become a major destination for Nigerian crude oil cargoes, with the volume of Nigerian crude oil grades going to Europe increasing from 28 per cent in 2011 to about 38 per cent in 2012.

Also, factors like oil thefts and pipeline vandalism responsible for falling production levels are being tackled. US officials lending voice to this discovery threat on Nigeria warned that a bigger threat is the weak governance in Nigeria's oil & gas sector which must be addressed if Nigeria is to take a good stand against the evolving phenomenon.

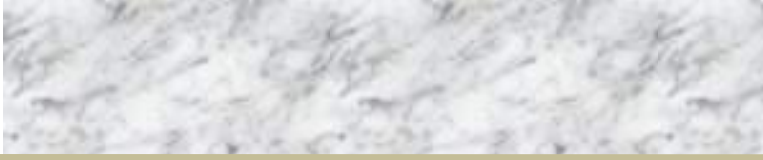
Barack Obama's Comment:

"Well, the truth is, the United States, at this point, on issues of energy, for example, frankly, we don't need energy from Africa. Because of advances that have been made, we're seeing oil production and natural gas production, as well as clean energy production all growing at a rapid rate in the United States."- *(While on a visit to Africa in June, 2013)*

FG, Senate Express Displeasure over UK Visa Bond Policy

There has been a heightened displeasure about the planned visa policy of the United Kingdom which would require first time visitors from Nigeria to deposit a £3,000 bond. They are to forfeit this sum if they do not abide by the terms of their visa. This initial deposit by visiting Nigerians to the UK is expected to impede business dealings, educational ventures between the two countries and could also hurt bilateral relations. This deposit is simply an additional cost to be incurred, at least in the interim, by Nigerians.

Britain, however, has said no final decision has been reached on the yet-to-be-implemented policy, which also targets nationals of India, Pakistan, Ghana, Bangladesh and other "high risk countries" as the plan was leaked to the media. Nigeria's Foreign Affairs Ministry has noted that the proposed policy would negate the joint commitment by Prime Minister David Cameron and President Goodluck Jonathan to double the volume of bilateral trade between the two countries by 2014.



Score card on Nigerian Economy as at June, 2013

There is a record of declining revenue from oil, Nigeria's major source of foreign exchange earnings, caused by the drop in production and falling prices in the international market. This has negatively affected the revenue accruing to the Federation Account.

Besides, the production target for crude oil has fallen to 2.06 million barrels per day below the 2013 production benchmark of 2.528 million barrels per day (mbpd). Nigeria is losing a total of about 300,000 barrels per day (about \$1 billion in revenue per month) due to the activities of oil thieves and pipeline vandals.

Recurrent expenditure has dropped from 74 per cent in 2011 to 68 per cent in 2013. This is expected to further go down next fiscal year.

Domestic government borrowing declined from N852 billion in 2011 to N588 billion in 2013. Our national debt is 21% of our GDP compared to South Africa (42.7%) Sub Saharan Africa (34.2%) USA (106%) Japan (225%) United Kingdom (90%). Our foreign reserves have climbed up to almost \$50 billion while the exchange rate has been steady.

On high food imports, the Jonathan administration had achieved a reduction in the quantity of importation of rice, a major staple food and dominant import item which drains huge foreign exchange.

"Rice imports have therefore fallen from 5.2 metric tonnes to about 2 million metric tonnes in two years with the ultimate goal

of attaining 100 per cent sufficiency by 2015.

"Besides, wheat imports have reduced from 4.1 million metric tonnes to 3.7 million metric tonnes within the same period while sugar imports are also on the decline.

Weak Consumer Spending Impedes FMCGs Sales Growth

Slowdown in private consumer spending which can be traced to a squeeze on household wallets, cost pressures such as rising raw material prices and operating expenses have continue to impact the sales figures of some Cement and Fast Moving Consumer Goods (FMCG) companies negatively.

The prevalent weak demand is a sign of high unemployment and poverty rate which has put much pressure on the working class. Operational costs may have also pushed prices up as the companies fix prices to breakeven and make profits.

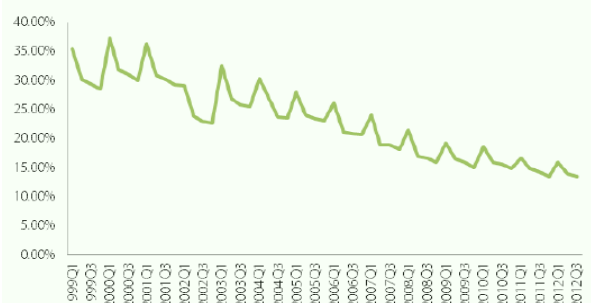
Agric bank initiates N3.6b facility for farmers

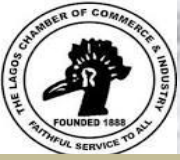
AS part of efforts to boost agricultural production in the country, the Bank of Agriculture (BOA), has signed a Memorandum of Understanding (MOU) with the Federal Ministry of Agriculture, for a N3.6 billion facility for farm mechanization programme in the country.

Agricultural mechanization programme is critical to the revival of the real sector.

Mechanization is expected to boost the productivity of farmers as they are able to produce more with less effort. We cannot continue with peasant farming and expect to reap the full benefits of the agricultural transformation reforms currently embarked upon by the federal government. Mechanization will definitely multiply the numbers in the agric sector. Managers of this fund must be flexible enough to allow these funds reach the right people.

Nigeria's Oil and Gas Contribution to GDP 1999Q1 - 2012Q3





Agricultural earnings increased by N759bn in 2012'

The Federal Government has reported that the country's earnings from agriculture increased by N759bn last year 2012. Agricultural exports also increased by 821,588 metric tonnes, while imports were reduced by N857bn in the period under review. The report also stated that "Agricultural exports and earnings were increased by 821,588MT and N759bn, respectively in 2012. There has been commitment of over \$8bn to existing and planned investments in Nigeria's agriculture, agribusiness and food industry by the private sector during the review period"

The agricultural transformational agenda is aimed at developing a strong agricultural value chain for produce such as cocoa, rice, sorghum, cassava, cotton, oil palm, cattle, poultry, fish, sheep and goat.

Inflation rate dropped to 9% in May —NBS

Inflation data recently released by the National Bureau of Statistics showed that the Consumer Price Index for the month of May stood at 9% marginally down from 9.1% recorded in the preceding month, April.

Weak consumer demand and CBN's current tight monetary policy can be fingered for this stability at least in the short term. Looking deeper, food prices have increased and this can be accounted for by the insurgency in some parts of the north from where we have significant supplies of food stuffs.

North may miss out on \$6.95bn telecoms investments

The \$6.95bn investments to be made by telecommunications firms nationwide in their networks from this year may elude the North as a result of the high levels of unrest and insecurity, which are largely instigated by the activities of the Boko Haram sect.

Borno, Yobe and Adamawa states rank high on the list of states that may miss out on the investment in the region following the recent declaration of a state of emergency in the states by the Federal Government.

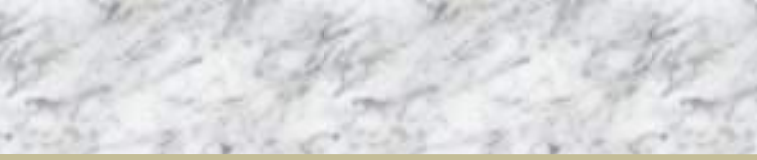
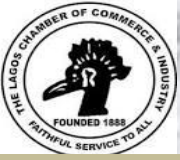
The mobile network operators have decided to invest hugely in their networks from this year, and different financing deals have been struck in that regard. Airtel Nigeria is investing \$1.5bn in network upgrade; Globacom, \$1.25bn; MTN Nigeria, \$3bn; and Etisalat, \$1.2bn.

As the north is left out of these investments in system upgrade and ICT infrastructure, the region may likely become backward and partially disconnected from the rest of the country. This is expected to affect business communications and thereby operations of companies that has presence in the region. Financing investments in the region is also expected to become more expensive due to the region's high risk profile.

FG declares importation of mining equipment duty-free

Importation of equipment for mining of mineral deposits in the country is now duty free according to the Federal Ministry of Mines and Steel Development. This step must have been taken to encourage exploitation of mineral resources in an effort to buoy and diversify the economic base of the nation. However, to enjoy this facility, a mining company is expected to present a valid mining lease issued by the ministry and an application letter to be forwarded to the Federal Ministry of Finance for processing. It should be noted that the provision is for mining equipments only and not all activities in the solid mineral sector thereby exploiting the vast deposit of minerals in Nigeria that have hitherto been left untapped.

This is seen as a likely boost to mining business in the solid minerals sector of the economy. Importation of agricultural and Industrial machines should enjoy similar benefit in our quest for sustainable agricultural and industrial transformation. This is also in favour of the call for diversification into the non-oil sector of the economy.



'Climate change can shrink Nigeria's GDP by 4.5%'

The World Bank has warned that decline in agricultural production induced by climate change can reduce the nation's Gross Domestic Product by as much as 4.5 per cent by 2050 if urgent actions are not taken now.

The bank's recent report titled 'Toward climate-resilient development in Nigeria' stated that Climate-induced declines in crop yields are expected to have significant long-term effects on the GDP of Nigeria, reducing it by as much as 4.5 per cent by 2050. The share of agriculture in GDP will decline from 40 to just 15 per cent. If the economy diversifies away from agriculture at a slower pace, the negative effects are likely to be much larger. It is also projected that by 2020, half of Nigeria's agro-ecological zones will not be able to meet demand for food with local supply; by 2050, 75 per cent will be in the same position.

Construction industry in positive outlook, grows 13% in 2012

Construction industry in Nigeria is showing positive outlook, with about 13 percent growth in 2012, according to industry watchers. The industry consists mainly of residential and commercial buildings, estates and physical infrastructure development. Analysts say construction plays a critical role in the economies of developing as well as industrialised countries, contributing significantly to their GDP.

This sector is expected to witness significant growth in the years to come as government seeks to hugely finance infrastructural projects to resolve the lingering economic crises arising from infrastructural deficiencies.

FG saves N254bn on cassava substitution for bread-baking

Nigeria has saved N254billion through the substitution of cassava flour in bread making as reported by the Federal Ministry of Agriculture and Rural Development. According to the report, the country has also trained master bakers on the

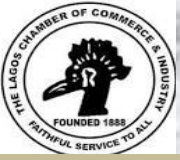
application of the cassava flour in bread baking. He said that government had encouraged market growth by instituting the 40 per cent high quality cassava flour requirements in wheat bread. He said investment opportunity abound for investors to build new cassava processing plants to capture share in the growing market.

It is expected that government would facilitate low interest rates for processors and also implement other financial incentives such as tax holidays and capital allowances. The Ministry confirmed that a number of leading indigenous and global firms had indicated interest in the market for cassava starch in Nigeria. The Federal Government would establish 'Staple Crops Processing Zones' (SCPZ) across the country as incentive to these investors. The report further stated that "Government has decided to provide the necessary infrastructure such as dedicated power lines and road networks and a one-stop-shop for business set up and registration and the cassava subsector is expected to reach 8.5 billion dollars before the year 2020."

How informal sector operators can access NHF scheme

The Federal Mortgage Bank of Nigeria (FMBN) recently introduced the Informal Sector Cooperative Housing Scheme, in a bid to integrate Nigerians operating in the informal sector of the economy into the National Housing Fund (NHF) scheme. This followed the formal launching The loan facility under the scheme could be accessed in one of two ways, namely: Cooperative Housing Development Loan (CHDL) or Co-operative National Housing Fund Loan (CNL).

The Cooperative Housing Development Loan (CHDL) enables a cooperative society that has acquired a plot of land to develop houses for allocation to its members. The parcel of land will have title in the name of the society which will act as the facilitator on behalf of its members in the loan transaction and which would facilitate construction of the housing unit. The root of title of the estate land would be subleased to the beneficiaries.



Bol allows zero collateral to micro, cooperative borrowers

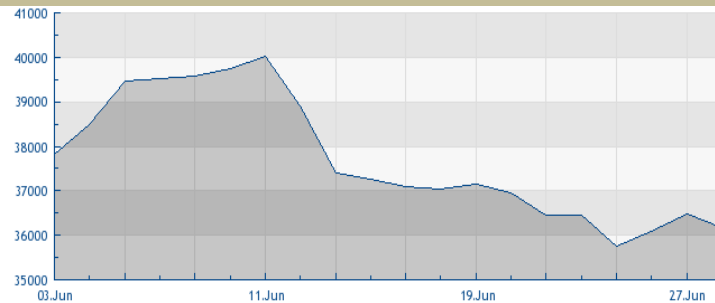
For Bank of Industry to give out loans to small and medium sized enterprises, prospective borrowers need to present and convince the bank on the viability of their proposals with assurance to pay back their loans as at when due despite the bank's insistence on 10 per cent of the total amount to be loaned from the bank especially from cooperative society as commitment fee which is refundable on completion of repayment. However, proper documentation is required for SMEs to access these facilities.

Cashless Policy Extension Commences 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 sacrosanct. These states include Rivers, Kano, Anambra, Ogun and Abia as well as the FCT.

Capital Market Indicators as at June 28th

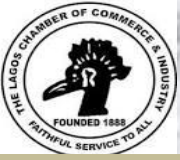
INDICATOR	28th June 2013
NSE All-Share Index	36,164.30
CAPITALISATION (N)	11,426,252,504,888.00
TRANSACTION VOLUME	774,837,488
TRANSACTION VALUE (N)	4,753,495,250.02
NUMBER OF DEALS	5,402



The Nigerian Stock Exchange All Share Index (NSE ASI) and the Market Capitalization decreased by 0.83%, while the Year-to-Date return stood at 28.80%. The All Share Index closed at 36,164.30 against the previous close of 36,468.25 while Market Capitalization closed at ₦11.426 trillion against previous close of ₦11.522 trillion. Volume traded increased by 116.88% from 357.266 million to 774.837 million, while the total value of stock traded increased by 16.11% from ₦4.094 billion to ₦4.753 billion in 5,402 deals. The Conglomerates sector led the activity chart with 20.895 million shares exchanged for ₦0.954 billion. Industrial Goods came next with 15.098 million shares traded for ₦0.232 billion, Financial Services, Consumer Goods, Agriculture sectors followed in that order on the activity chart. Transcorp, Portpoint, Eti, Zenithbank and Uba were the most active stocks by volume. UACN, Cadbury, Okomuoil, Unilever and Ashakacem emerged the highest price gainers on the chart, while Newgold, Nestle, Total, Dangcem and Cap topped the losers chart.

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.



Macroeconomic Indicators

GDP Growth (%)

Credit to Private Sector (N'm)

Inflation Rate % (Y-on-Y)

9.1 Monetary Policy Rate (%)

External Reserves (US\$'M)

Oil Price of Bonny Light (US\$/Barrel)

6.56 for Q1 2013, an increase of 22 basis point over Q12012

15.41 (April). An increase of 1.05% over March figure

9 (June) Declined by 10 basis points from May figure of

12 (May) Unchanged from last meeting in April, 2013

48.23 (at 26th June) . A decline of 0.37% over one month

104.45 (Jun 27th). Increase of 0.13 in one week

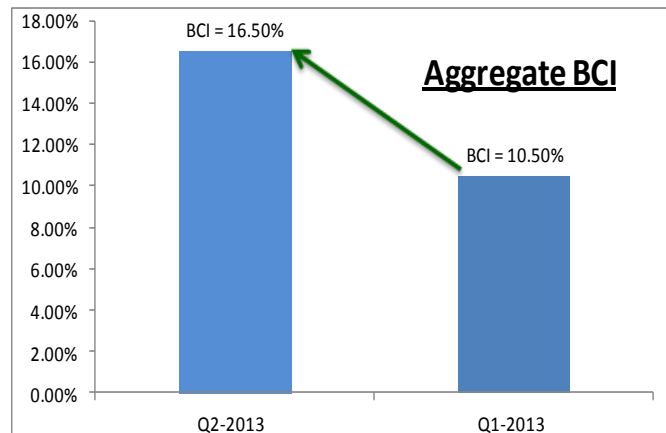
Notes on External Reserves:

Nigeria's external reserves declined by \$532million to \$48.150billion in the second quarter of 2013. This has been attributed to the volatility in crude oil prices as well as recent pressure faced by the naira. Data compiled from the Central Bank of Nigeria (CBN) showed that the amount represented a decline by 1.09 per cent in the second quarter when compared with the \$48.682 billion figure as at end of first quarter.

Also, experts have noted that the inertia in external reserves accretion could be attributed to the increased usage of the reserves to support the exchange rate, as well as a decline in forex inflows from offshore investors.

Nigerian Business Confidence Index for Second Quarter, 2013

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.





Half-Year Economic Review & Outlook Seminar

A review of the first-half of the Year and an outlook for the Second-half of 2013 by seasoned economists and capital market experts.

Facilitators:

Dr. Austin Nweze
Head, Applied Economics
Lagos Business School

Mr. Kayode Akinkugbe
Managing Director/CEO
FBN Capital Plc

Seminar Schedule:

Date: 17th July, 2013

Venue: Commerce House, 1, Idowu Taylor Street, Victoria Island, Lagos

Time: 10:00AM

Seminar Fees: N10,000.00

(Nominations of three and above attracts 10% discount) to cover Seminar Materials, Lecture notes & Lunch



Booking Enquiries:

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