



March 2013

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## Economic Dashboard

| Key INDICATOR                   | Jan 2013 | March 2013 | Δ%    |
|---------------------------------|----------|------------|-------|
| GDP Growth                      | 6.4      | -          | -     |
| Inflation Rate                  | 9.0      | -          | -     |
| Interest Rate - (MPR)           | 12.0     | 12.0       | -     |
| Retail Lending Rate (%)         | 25.4     | 25.9       | 0.5   |
| FX Rate - Interbank (N/\$)      | 154.4    | 154.8      | 0.02  |
| FX Reserve (\$bn)               | 45       | 47         | 4.17  |
| Credit to Private Sector (N'tn) | 15.2     | 15.1       | -1.0  |
| Buz Confidence Index            | 10.5     | 1.3        | 10.36 |

Source: CBN, LCCI

## LCCI Research Team

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*With this foreword we welcome you to the maiden edition of our monthly newsletter that provides you with insight into the developments in the Nigerian economy, the business environment and the Chamber.*

## FROM THE PRESIDENT

We are pleased to present to you the inaugural edition of Newsletter from the Lagos Chamber of Commerce and Industry, a monthly publication on business and economy. The Newsletter will be widely circulated and is poised to become a leading contemporary magazine providing useful insights on the domestic investment market.

This edition's lead theme, "2013 Business Environment" seeks to analyse the prospects of investment in the current year and what point will trigger realisation of the full potentials of business in Nigeria in line with playing the desired role of driving economic prosperity.

At the Lagos Chamber of Commerce, the quest for a healthy business environment is not just in our name. It is in our blood and it defines the way we approach our advocacy and trade promotion efforts. Being LCCI means consistently being a trailblazer in the Nigerian business community. Today we have the opportunity to provide the leading Newsletter in the Nigerian business space, enriched with well analysed research and market intelligence.

We do hope that you find this edition of the Newsletter stimulating and we look forward to continued interaction in the future.

Goodie Ibru  
**President, LCCI**

## BUSINESS & SECTORAL PERSPECTIVES

The operating environment for businesses in Nigeria has been very challenging but in spite of the numerous problems including security issues, inadequate power supply, and poor access to credit among other factors there are still a few businesses that stand out for those wishing to branch out into the private sector. If you have capital and happen to be contemplating what businesses to invest in 2013, here are 5 businesses to look out for:

### Real Estate & Property Development

The Federal Government is making concerted efforts to protect the Abuja Master plan and there have been recent massive investments made in developing 10 new districts in Abuja. This implies that more demolitions will take place and slums will give way to more affordable housing for low income earners. Demand for home ownership and rent rates are likely to rise as more slums are demolished.

### Hotel and Hospitality

A recent industry report indicates that since 2007 there has been an increase in number of business travellers to Nigeria. This has led to increased demand for temporary lodgings such as Hotels and serviced apartments. The demand for quality, affordable and well located hotels are likely to rise and more foreign direct investment is expected to be made into the economy attracting more expatriates, visitors and Nigerians from the Diaspora.

### Auto Business

Despite the massive levels of unemployment and poverty in the country, Nigeria is Africa's largest consumer of automobiles. There are strong indications that big businesses and government will order for more cars in 2013 than they did in 2012.

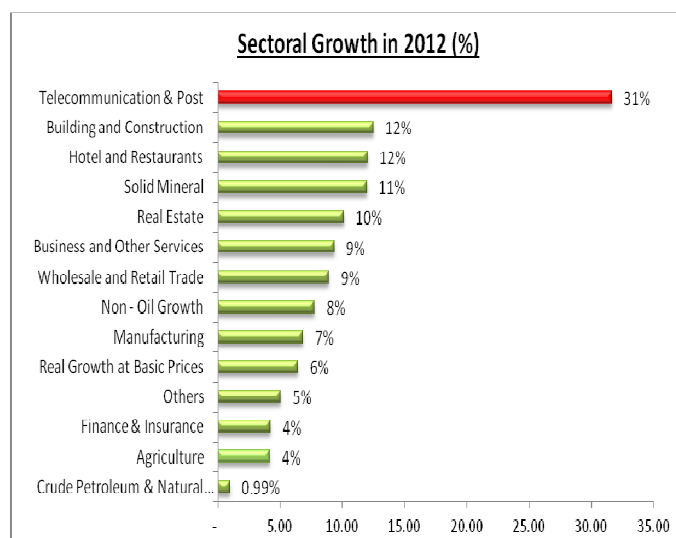
### PR and Entertainment

Nigerian businesses and brands realize they can promote themselves leveraging on the popularity of Nigerian celebrities. These artists and celebrities are expected to earn a lot more in 2013 than 2012 from endorsements and sponsorship deals as Nigerians look to local rather than international role models and trend setters. Many companies are expected to key in on this easy marketing tool to spread the word about their brands in Nigeria and also maximize income.

### Agriculture

According to Small Business Journal, a bi-monthly newspaper on SMEs, over \$2 billion dollars entered the Nigerian Agricultural sector in 2012 mostly in arable agriculture. According to the Minister of Agriculture, many small businesses are going to benefit from Agric loans, grants and other incentives from the Federal government in addition to massive foreign investments expected in this sector. This means more raw materials processing and production of agro based products.

## The ICT Sector now a major factor in 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.

| Alternative Business/Investment Destinations in 2013 |                   |            |
|--|-------------------|------------|
| Ranking  | STATE             | % of Total |
| 1 <sup>st</sup>                                      | FCT               | 27%        |
| 2 <sup>nd</sup>                                      | RIVERS -PH        | 23%        |
| 3 <sup>rd</sup>                                      | OGUN - Industrial | 8%         |
| 4 <sup>th</sup>                                      | OYO - Ibadan      | 8%         |
| 5 <sup>th</sup>                                      | DELTA             | 5%         |
| 6 <sup>th</sup>                                      | ANAMBRA -Onitsha  | 3%         |
| 7 <sup>th</sup>                                      | ABIA - Aba        | 2%         |
| 8 <sup>th</sup>                                      | ENUGU             | 2%         |
| 9 <sup>th</sup>                                      | C/RIVER -Calabar  | 2%         |
| 10 <sup>th</sup>                                     | A/IBOM - Uyo      | 2%         |
|  | Total             | 100%       |

The business executives (98.5%) who are planning to expand or open new plant/shop (other than in Lagos) in 2013 tend to be looking mainly at the FCT and the Southern cities. PH, Ogun, Ibadan and Aba topped the list of alternative business destinations in 2013.

Sadly, no Northern state/city was mentioned among the top 15 alternative investment destinations in 2013.

Source: LCCI Q1, 2013 BCI Survey

### MARKET VISTA

- ✓ The is increasing prospects of new entrants into the CBN regulated financial systems to engender greater competition in the market – merchant banks, foreign banks and sale of nationalised banks.
- ✓ IFRS compliance would increase transparency of reporting albeit with consequence of lower returns on investment in the short term.
- ✓ Slow-down in economy may begin to reflect harder on businesses in 2013 if fiscal and monetary authorities do not collaborate to achieve meaningful results. E.g. Dangote Cement planned to close down its Gboko Plant while P Z Cussons and other leading FMCG firms continue to flag out a slowdown in consumption.
- ✓ The market could witness a spike in M & A transactions especially amongst listed companies as more firms seek inorganic growth to bolster market share
- ✓ The moderation in the yields of FGN securities may spur more corporate and state bonds as proposed offerings in the early part of 2012 may be revived.
- ✓ As yields on FGN securities moderate, banks may be left with little or no choice but to create risk assets. Consequently the expectations of growth in Telecoms, Commercial Real Estate (especially shopping malls) and the Agriculture Value Chain may lead to credit growth in these sectors.
- ✓ The real sector will continue to receive significant interest especially from South African investors such as the Tiger Brand.
- ✓ The resolution of the budget imbroglio will impact level of foreign investment and inflow of investible funds across the sector beginning from second quarter of the year.
- ✓ Relaxation of PENCOM rules on asset classification of pension funds will lead to greater flexibility and more robust portfolio.

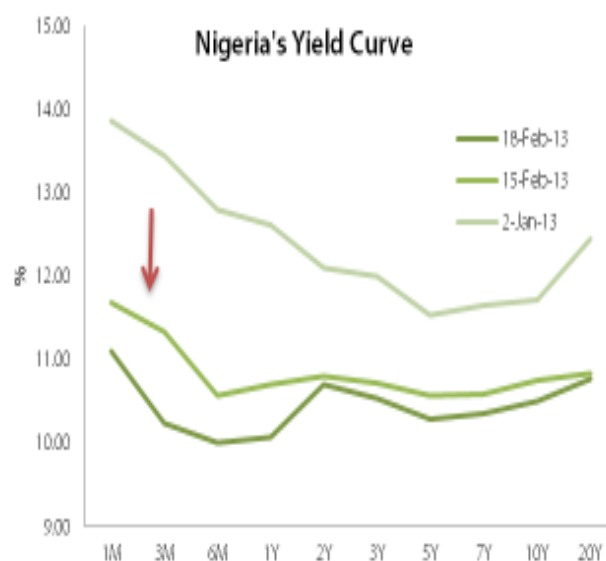
## Inflation Rate Drops to Four Year Low

Nigeria's headline inflation rate moderated by 300 basis points (bps) to the much targeted single digit level of 9% in January 2013. Almost all inflation categories experienced significant moderation in the period. Inflation rate were last below 9% between June 2006 and April 2008. This record moderation of inflation rate at this time may have been achieved by the base effect from January 2012 consumer price indexes which experienced a surge due to the partial removal of the subsidy on the pump price of petrol.



Money market liquidity was substantially tight in January, supporting the reduction in aggregate demand during the month. The market closed with a net outflow of N652.76 billion due largely to high outflow through the open market operations (OMO) and primary market activities of the Central Bank of Nigeria (CBN)....

We expect monetary policy to remain cautionary; implying that the MPR may remain flat through the first quarter of the year and perhaps into the second half. In addition the rising exposure of the Nigerian economy to the threat of hot monies at a time when a currency war is coming to the fore in global economic debates suggests that the monetary authority must thread with caution.



### Budget 2013 Finally Signed by the President

After a long drawn consultation, disagreement and compromise between the executive and legislature, the N4.987trillion 2013 Budget has finally be assented to by the President giving the 2013 Appropriation Bill a force of law ready for implementation. The Chamber had commended the early passage of the budget by the National Assembly in December, 2012 but only to be enmeshed in consultative delays that dragged its final passage for more than two months. The private sector however, wishes to see a better budget performance this year, irrespective of these delays. We look forward to the executive wielding a force of political will to actualize the laudable budget objectives of job creation, poverty eradication and provision of critical infrastructure needed to make the private sector thrive.

## NEWS FROM THE LAGOS CHAMBER OF COMMERCE

- **Advertise your Business on LCCItv:** The Lagos Chamber of Commerce & Industry in fulfilment of its mandate as the foremost Chamber and promoter of Businesses in Nigeria has launched a dedicated branded TV Channel on Youtube. This brand channel is a platform for showcasing all LCCI activities and its sectoral group on the global social media space and the World's Largest Video sharing Platform (YouTube).
- This platform will Archive, Showcase, Share, Promote and function as a One-Stop-Shop for Networking, Matchmaking, plus Marketing of Products and services of all stakeholder beyond Nigeria. We our members and partners to leverage on the Tv channel to promote your products, services at affordable cost.
- **2013 Lagos International Trade Fair Portal Now Active:** The 2013 trade fair is scheduled to take place from Friday 1st November to Sunday 10th November 2013. The online portal is now open for prospective exhibitor to download forms and all necessary information needed to add value to your participation and derived optimal benefits from the fair. The fair will provide record sales, marketing, research, branding, and financial benefit for participating companies.
- **Business Confidence Index:** LCCI on 18th January 2013, lunched the first edition of quarterly business Confidence Index (BCI) for Nigeria. Going forward, the index which will be computed and published by the chamber will serve as a proactive and leading indicator that will guide top businesses leaders and investors on the turning points in the economy.
- **LCCI set to Host a Special Workshop on High Quality Cassava Flour**  
The LCCI in collaboration with FIIRO is organizing a 'Stakeholders' Workshop on High Quality Cassava Flour Inclusion in Wheat flour for Baking'. The Special Guest of Honour is Former President of Nigeria, Chief Olusegun Obasanjo, GCFR. Special Guest is His Excellency, The Executive Governor of Lagos State, Mr. Babatunde Raji Fashola, SAN while Chief Host is LCCI President, Mr. Goodie Ibru, OON. The event is slated for 20th & 21st of March, 2013 at the LCCI Conference and Exhibition Centre, Alausa-Ikeja. Time is 9AM.
- **Innovative Exhibition on Cosmetics, Beauty and Hair at Istanbul, Turkey**  
Members of LCCI are invited to participate in the 9th International exhibition for cosmetics, beauty hair scheduled to hold on 13th - 15th June 2013 at Tuyap International Exhibition Center, Istanbul, Turkey. The fair will feature products such as Personal Care Products, Hair Care Products, Baby Cosmetics, Beauty Accessories, Antiaging & Aesthetic product & Equipment, Nail Art, Contract Manufacturing and Private Label, Cosmetics, professional Hair & Beauty Salon Products Equipment and Furniture. For participation details, please contact Gbemisola on 080281258125 or email: [gbemisola@lagoschamber.com](mailto:gbemisola@lagoschamber.com)

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