



ECONOMIC & FINANCIAL

UPDATE

JANUARY – MARCH 2008

ECONOMIC AND FINANCIAL UPDATE (FIRST QUARTER 2008)

SECTORIAL UPDATES

THE ECONOMY IN GENERAL

Business activity in the Nigerian economy improved during the first quarter of the year as the nation's reserve hit \$54.2 billion in January, 2008 and increased further to \$55.95 billion in February 2008. The budgeted growth rate of the Gross Domestic Product (GDP) for 2008 was 11percent, but the nation's Gross Domestic Product was expected to hit 7.4 percent by end of 2008. This would be higher than the 6.4 percent forecasted for Sub-Sahara Africa for the period.

An eleven member panel was set up to investigate the likely impact of the proposed Economic Partnership Agreements (EPAs) on the country's economy. This is in view of the Government's commitment to ensuring that the country is among the first 20 global economies by the year 2020.

Also, the total currency in circulation stood at N891.53 billion during the period under review. According to the CBN, the currency in circulation increased by 7.13 percent in the first three months of the year following continuous inflow of currency within the economy.

INDUSTRIAL SECTOR

Slight changes were witnessed in the first quarter of 2008 as some operators of small and medium scale enterprises (SMES) lamented the inability of the Nigerian Stock Exchange (NSE) to float a security market for them. Currently, the Exchange operates the first and second tier markets, with listed multinationals and national firms, but efforts are in top gear to float a third tier market that will cater for the needs of SMES.

There were indications that the capacity utilisation of the Nigerian industrial sector may fall to 35 percent in 2008.

The ban on the importation of bagged cement into the country was lifted. That action was to bridge the deficit of 115 million tonnes in the supply of the product which had persisted in the last few years.

MONEY MARKET

The appreciation of the naira, which began in the second half of 2007, continued into the first quarter of 2008. This trend was attributed to the sustained foreign exchange inflows engendered by the favourable macroeconomic environment, and the relatively high rates of return in the domestic financial market.

The CBN began the process of outsourcing its currency distribution and processing function to private sector operators, to enable it focus more on its core mandate. Also, the CBN contracted three capacity building agencies to establish three pilot entrepreneurship training centres in three key major areas of the country, at a cost of N1.5 billion. They were to provide necessary training for MFB operators, so as to ensure judicious use of microfinance bank loans by beneficiaries and operators nationwide. In a related development, the Nigerian Deposit Insurance Corporation (NDIC) confirmed that more than 50 percent of the licensed Microfinance Banks (MFBs) and Primary Mortgage Institutions (PMIs) in the country did not render their returns as required by the regulators.

107 new microfinance banks (MFBs) were licensed by the Central Bank of Nigeria, bringing the total number of licensed MFBs to 707 as at the end of the first quarter of 2008.

According to the CBN's report entitled "Summary of Excess Crude/PRT/Royalty Receipts" the country's current excess revenue account has grown from \$12.401 billion in December, 2007 to \$15.756 billion as at the end of February, 2008. This represents an increase of \$3.355 billion or 27.1 percent over the balance of the \$12.401 billion in the account as at December, 2007.

In its determination to accommodate huge funds coming from the pension sector to the investment market, the National Pension Commission (PENCOM) was considering other investment windows for operators in the sector. This was part of its resolve to ensure that the over N700 billion pension funds already accumulated were invested in the Nigerian economy to actualize the aspirations of the federal government in its Vision 2020 project.

In a related development, PENCOM disclosed that pension asset, under the new pension scheme, would hit an all-high N1.6 trillion within the next three years, with a 30 per cent annual growth rate.

The Federal Government's resolve to descend hard on insurance institutions that failed to meet the new statutory recapitalization requirement for underwriting business, was demonstrated when the National Insurance Commission, NAICOM, announced the take-over of seven failed insurance companies in the country. The Commission also released new guidelines for the operation of insurance business in Nigeria to check unethical practices in the sub-sector.

CAPITAL MARKET

At the end of first quarter of 2008, the Nigerian Stock market remained bearish, as the market capitalisation of equities dropped by N26 billion to close at N12.13 trillion, as major capitalised stocks suffered price depreciation while the All-Share Index also shed 0.21 percent to close 63,016.56 points in contrast to 63,147.04 points.

The Nigerian Stock Exchange (NSE), was listed as one of the top 20 emerging markets by the World Bank and the International Finance Corporation (IFC). The Nigerian capital market was ranked alongside those of Brazil, Russia, India and China as leading emerging markets. In view of ongoing reforms in the nation's capital market, this performance was expected to be sustained in the near future.

Following stable macroeconomic environment and attractive fundamentals of the Nigerian stock market, reputable international institutions and global investors continued to invest in Nigerian securities. Some of the leading foreign financial institutions currently investing in the market include ABN AMRO, Barring Asset Management, Credit Suisse Private Banking, among others

The capital market witnessed a sharp growth in the mutual funds segment, and this was attributed to the new policy stipulating N1.0 billion base funds for operators. The new guideline was intended to pool resources from small investors who would otherwise have been shut off the market by virtue of the new policy.

The Security and Exchange Commission, (SEC) announced that unclaimed dividends in the capital market had hit N19 billion by March, 2008.

STOCK MARKET AT A GLANCE TOP FIVE AS AT MARCH 31ST 2008

Company	Opening Price (N)	Closing Price (N)	Change (%)
Gainers			
Conoil	129.00	133.50	4.50
Enamelwa	63.66	66.84	3.18
First Bank	45.00	47.42	2.24
Guinness	128.00	130.00	2.00
NNFM	32.36	33.97	1.61
Losers			
Chevron	333.00	316.35	16.65
ETI	249.98	238.20	11.78
Oando	214.34	203.63	10.71
Mobil	196.00	186.00	9.80
Costain	70.38	66.87	3.51

MOST ACTIVE SECTORS (BY VOLUME)
TOP TEN SECTORS AS AT MARCH 31ST, 2008

Sector	Turnover (Million Units)	% Of Market's Total
Insurance	456.645	49.10
Banking	319.431	34.35
Food/beverages	27.573	2.96
Commercial	20.383	2.19
Conglomerate	15.822	1.70
Automobile	12.719	1.36
Industry	7.830	0.84
Mortgage	7.193	0.77
Building	5.977	0.64
Breweries	5.323	0.57

Source: Financial Standard April 1st 2008

OIL & GAS

Bonny light spot price closed at \$103.4pb, 3 percent higher than the \$100.4pb recorded in February. However, March average price of \$103 was 9.4 percent higher than the \$94.1 of the preceding month. The 3-month average price of \$96.1pb was 62.8 percent above the 2008 budget threshold of \$59pb.

The sum of N109, 403,975,196 accrued to the Federal Government as royalties and penalties from ten oil companies between December, 2007 and February, 2008. These oil companies include: Shell Petroleum Development Company (SPDC), Mobil Producing, Total/Elf, Chevron, Addax Petrol, Moni Pulo, Phillips Oil, Nigerian Agip Oil Company, Sahara Energy and Niger Delta Petroleum. Amongst these, Mobil paid in the highest sum of N12.427 billion in December with Chevron and Total/Elf trailing with N9.704 billion and 9.494 billion respectively.

ENERGY

The epileptic power supply being experienced in the country further worsened, as power generation from the nation's ten power stations dropped.

TELECOMMUNICATION

President Umaru Yar'Adua told the Nigerian Telecommunications Commission (NCC) to provide the country with a new telecommunications tariff structure that would enable service providers compete on a level playing field.

The NCC threatened to withdraw the license of one hundred telecommunication firms. This became necessary due to the firms' inability to commence operations and the comatose state of their infrastructures.

Operators in the sector alleged that they spend over N4billion monthly to power their generating sets, and that this had contributed to the sub-optimal performance being witnessed by the sector.