



Economic

&

Financial

Update

January - March, 2010

Economic and Financial Update (First Quarter, 2010)

Sectoral Updates

The Economy in General

The year started on a positive note on the global economic terrain, with the International Monetary Fund (IMF) projecting a gross domestic product (GDP) at constant prices growth rate of 4.217% for the global economy, and 4.716% for Sub-Sahara Africa as against the 2009 projected figures of -0.60 and 2.11% respectively. These projections were based on the conviction that various governments' initiatives introduced in the second half of 2009 to mitigate the effects of the economic meltdown would be sustained to galvanise the global economy. The initiatives include policy interest rate cuts by central banks, capital injections, fiscal stimulus packages and various unconventional measures, all aimed at sustaining credit flows.

The successful implementation of the economic initiatives seemed to have restored confidence in the global financial system, and facilitated credit flows across countries. This encouraged industrial outputs, which in turn necessitated an increase in the global demand for energy, particularly fossil fuel. According to the Organisation of the Petroleum Exporting Countries (OPEC), global demand for crude oil increased from 84.3 million barrels per day (mbd) at the end of the previous quarter to 84.7 mbd at the end of the period under review, with the spot price of OPEC's basket crude increasing from US \$74.01 to \$77.21 in the respective periods. This increase in oil demand was complemented by stability in domestic price level, with inflation rate hovering around 12 per cent.

Also, on the domestic front, the nation's economic climate was impaired by the prolonged absence of President Umaru Yar'Adua from the public, and the constitutional constraints on Acting President Goodluck Jonathan to effectively direct the economy. This political imbroglio impacted negatively on the economy even as the passing of the 2010 budget was delayed; business activities dropped sharply as a result of the delayed passage of the budget and the credit squeeze in the financial services sector, despite liquidity in the system. A harmonised budget of ₦4.6 trillion was eventually passed in March. The budget was predicated on a benchmark price of \$67 per barrel for crude oil, and daily production of 2.35 mbd. Highlights of the harmonised budget include a recurrent expenditure of ₦2.077 trillion, capital expenditure of ₦1.8 trillion and a deficit of ₦1.5 trillion.

However, increasing international price of crude oil reflected positively on the nation's foreign exchange market, with the average demand for foreign exchange standing at US \$6,391.15 million, while the actual sale of foreign exchange at the

Wholesale Dutch Auction System (WDAS) stood at US \$5,139.19 million, indicating a shortfall of about 19.59 per cent. The availability of foreign exchange to end users encouraged stability of the nation's currency, naira, around ₦147.81 to US \$1, as year-on-year inflation rate declined from 12.30 per cent in January to 11.80 per cent in March, 2010.

The credit squeeze in the financial services sector, occasioned by the global economic meltdown and ongoing reforms in the sector, which emphasised careful risk assets creation and compliance to regulatory provisions, curtailed economic production in the period under review. Essentially, most banks preferred to increase their portfolio holdings of government securities instead of trading on the inter-bank market, due to the perceived lower risk of the former. In many cases, the banks practically refused to open new credit lines or extend existing ones, even as attention was focused on recovering delinquent loans. To facilitate trading in the inter-bank market and encourage lending in the system again, the Central Bank of Nigeria (CBN) provided a ₦500 billion intervention fund for onward lending to projects in the real sector of the economy, particularly the power sector. This fund complements the ₦200 billion released in 2009 for onward lending to commercial agriculture entrepreneurs through designated banks with the aim of boosting agricultural production. This latest action of the CBN is laudable, considering the multiplier effect of cheap power supply to the industrial sector. However, there is need for caution, as the CBN fine-tunes the modalities of disbursing the fund. Previous experience of similar initiatives of the CBN have shown the importance of involving relevant ministries, departments and agencies (MDAs) as well as representatives of stakeholder private-sector organisations, if the objectives for the fund are to be realised.

Other Developments within the Financial Services Sector

In the insurance sub-sector of the financial services sector, the National Insurance Commission (NAICOM) released a policy document to guide underwriting business in the country. The guidelines are intended to strengthen operational standards in the insurance industry in 2010. The guidelines, which set out the business practice that must be strictly adhered to by all insurance operators in Nigeria, is in accordance with the provisions of Section 49 (1) of the Insurance Act of 1997, and took effect from January 1, 2010. As the insurance industry's regulator, NAICOM has the prerogative to develop and issue policies as well as operational guidelines to guide the practice of underwriting in Nigeria.

The Federal Government of Nigeria (FGN) approved the reduction of the company income tax from 30 per cent to 20 per cent, and the personal income tax from 25 per cent to 17.5 per cent. The policy is aimed at attracting foreign

investments to the country and increasing the net income of workers for saving or consumption; and this in turn is expected to increase production activities in the country. This policy initiative is also intended to encourage self-assessment and prompt tax payment, thereby reducing compliance cost to the Government. Meanwhile the value added tax (VAT) remains unchanged at 5%, despite on-going discussions on consideration of an increase in applicable percentage.

Also, during the first quarter, the Board of the Federal Mortgage Bank of Nigeria (FMBN) approved an increase in the limit of the National Housing Fund (NHF) loan disburseable to qualifying individuals from ₦5 million to ₦15 million, representing an increase of 200 per cent. The Board equally increased the equity contributions (or down payments) on property value by applicants in the following proportion: a loan of ₦5 million and below, 10 per cent down payment; a loan that is above ₦5 million and up to N10 million, 20 per cent down payment; while loans that are above ₦10 million and up to ₦15 million attract 30 per cent down payment (or equity contribution).

Money Market

As part of the Central Bank of Nigeria's efforts to overhaul the banking sub-sector, and in exercise of the powers vested in the CBN Governor by Section 35 (2) of the Banks and Other Financial Institutions Act (BOFIA), the CBN appointed 10 Executive Directors in 3 banks where it intervened: the banks include Bank PHB, Spring Bank and Equitorial Trust Bank. It may be recalled that the chief executive officers (CEOs) and executive directors (EDs) of these banks were sacked in the second phase of the CBN's special joint-audit of banks during the last quarter of 2009. The newly appointed directors for Bank PHB are Mr. Gabriel Ohioma Edgal, Mr. Fredrick Olusegun Bolaji, Mr. Ayaba M. Ayo Joseph, and Mr. Hassan Alwan Ali; Spring Bank has Mr. Onodugo Chike Paschal, Dr. Kabir Ahmed, and Mr. Fakile Emmanuel Olugbenga; while Mr. Obaleke Femi, Mr. Fakeye Akinsola Jacob, and Mr. Tilewa Adebajo were for Equitorial Trust Bank.

Further more, the CBN specified a 10-year maximum tenure for banks' Managing Directors, comprising of five-year tenure renewable only once for another five - year term. The new tenure regime, which takes retroactive effect, applies to all banks' Managing Directors who have spent up to 10 years in their current banks, inclusive of years spent as Managing Directors of legacy banks in the case of merged or acquired banks. The affected banks' CEO's were given up to July 31, 2010 to prepare their succession plans, and hand over to their successor designates. Also, under the new tenure regime no person who has served as Managing Director can hold any position on the board of the same bank or its subsidiaries within three years of leaving office. In the case of the Governor of CBN and his deputies, as well as the Managing Director of the Nigeria Deposit

Insurance Corporation (NDIC) and his Executive Directors, they are barred from taking appointments in any bank, or its subsidiaries, for a period of five years after retiring from service. In the same vein, departmental directors can not take an appointment in a bank, or its subsidiaries, within three years of exiting the CBN or the NDIC. The new policy directives, according to the CBN, are meant to enhance corporate governance in the banking industry, and insulate the banking sub-sector from being hijacked by unscrupulous individuals who may wish to perpetrate all manners of abuses. The policy would also seek to ensure that those who supervise the banking industry are not compromised by independence and insider considerations.

In a bid to verify the integrity of the information submitted by banks as at December 31, 2009, which marked the commencement of the common year end for banks, the CBN and NDIC carried out a joint target examination of the 24 banks in February, 2010. In a related development, the CBN, in its continued efforts to sanitize the sub-sector, concluded its target examination of microfinance banks (MFBs), with the aim of identifying the weaker institutions amongst them. The CBN assessed the MFBs based on three criteria, namely: capital adequacy, liquidity level and corporate governance. The result of the audit exercise is expected to assist the CBN in formulating necessary policies and making regulatory decisions on microfinance banking in Nigeria.

Meanwhile, following incessant complaints by customers of deposit money banks (DMBs) over frequent failures of automated teller machine (ATM) transactions and fraudulent withdrawals from their accounts via ATMs, as well as the inability of most banks to resolve these complaints within reasonable time frame, the CBN directed all the DMBs to create help desks that will address the customers' complaints on the use of ATMs. As a corollary to this, banks are required to publish the names, telephone numbers and e-mail addresses of designated help-desk staff who can be contacted whenever the need arises, and complaints received should be treated and responded to within 72 hours turn around time.

The CBN Monetary Policy Committee (MPC), after its 212th meeting, decided to leave the Monetary Policy Rate (MPR) unchanged at 6 per cent, with the asymmetric corridor of interest rates remaining at 200 basis points above the MPR and 400 basis points below the MPR. The MPC observed that retail lending rates of DMBs were still high despite falling interbank rates, and that a reduction of structural and institutional impediments, as well as DMBs' risk perception of borrowers, could moderate the high lending rates. The MPC also approved the Monetary Programme for 2010/2011, and the Monetary, Credit, Foreign Trade and Exchange Guidelines for Fiscal years 2010/2011. The MPC noted the need to strengthen on-going reform efforts in the banking sector, aimed at engendering desirable medium term economic growth path that is consistent with price and

financial stability. Members reiterated the need to fast-track the proposed reforms in some key sectors of the Nigerian economy, and in particular, the power sector, to attract the much-needed private sector/foreign investment. Meanwhile, the apex bank announced the extension of its guarantee on all interbank transactions up till December 31, 2010, while reserving its prerogative to terminate the guarantee on a case-by-case basis and in line with ongoing reforms in the sector.

The CBN also announced plans to phase out the universal banking model, which allows deposit money banks to offer a wide range of financial services, and replace it with niche banking under a holding company structure. Subsequently, existing deposit money banks will be required to reapply for re-licensing according to the specific area(s) of business they want to operate, and capitalize accordingly. As a corollary, the CBN reviewed the Prudential Guidelines for banks and intends to review the policy document every five years, henceforth.

Capital Market

In the capital market, the Council of the Nigerian Stock Exchange (NSE) approved new and supplementary issues worth ₦18.98 billion for four companies as part of efforts to deepen the stock market. The affected companies are C & I Leasing Plc, Resort Savings and Loans Plc, African Paints (Nig) Plc and Mc Nichols Consolidated Plc. C & I Leasing Plc applied for the placement of ₦2.24 billion Unsecured Floating Rate Redeemable Convertible Loan Stock 2009/2014; while African Paints Plc applied to place 130 million shares of 50 kobo each at par. The NSE also approved the listing by introduction of 13.176 billion shares of Resort Savings and Loans Plc at ₦1.25 per share, while Mc Nichols Consolidated Plc is to list, by way of introduction, a total of 201.885 million of its shares at 98 kobo per unit of share.

The Council of the NSE also reduced transaction charges at the Over-the-Counter (OTC) bond market to encourage divestments of portfolios in the sub-sector. As a corollary to this, annual listings cost of new issues for Federal Government bonds in the primary market will attract a cost fixed at ₦20 million, irrespective of the number of bonds listed by the Debt Management Office (DMO). Furthermore, at the secondary market, the NSE will charge ₦1 per million of the underlying trading on the sell side on a daily basis; the Central Securities Clearing System (CSCS) will charge ₦1 per million of the underlying trading, charged on both buy and sell sides; and the stockbrokers will get ₦5 per million of the underlying trading, charged on both buy and sell sides. For state and local government and corporate bonds, the application levy will be 0.15 per cent for issues up to ₦2 billion; 0.1 per cent for issues above ₦2 billion, while the CSCS will charge 0.0125 per cent. In the secondary market, the NSE will charge ₦5 per million of the underlying traded stocks on the sell side only; CSCS will charge

₦10 per million of the underlying traded stocks, charged on both buy and sell sides; and stockbrokers will earn ₦10 per million of the underlying traded stocks, charged on both buy and sell sides.

**Stock Market at a Glance
Top Gainers and Losers as at March 31, 2010**

Company	Opening Price (₦)	Closing Price (₦)	Change (%)	Gain (₦)
Flour Mill	61.06	64.00	4.81	2.94
Julius Berger	34.73	36.44	4.92	1.71
NNFM	30.79	32.32	4.97	1.53
Unilever	29.80	31.29	5.00	1.49
Nigerian Breweries	61.50	62.95	2.36	1.45
Losers				Loss (₦)
PZ	31.35	30.42	(2.97)	(0.93)
Cadbury	18.77	18.20	(3.04)	(0.57)
Nigerian Aviation Handling Company (NAHCO)	11.52	11.03	(4.25)	(0.49)
UBA	15.20	14.80	(2.63)	(0.40)
ETI	18.92	18.55	(1.96)	(0.37)

Source: Financial Standard, April 12, 2010

Most Active Sectors (by Volume)

Sector	Turnover (₦ million)	% of Market 's Total
Insurance	130.3	31.94
Banking	124.4	30.43
Food/Beverages	30.2	7.39
Maritime	22.8	5.58
Mortgage	13.5	3.30
Packaging	11.1	2.72
Conglomerates	10.7	2.62
Healthcare	9.9	2.42
Information/Communication	9.5	2.32
Leasing	7.1	1.74
<i>NB: The Insurance sub-sector was the most active and accounted for 31.94 per</i>		

Source: Financial Standard, April 12, 2010

Oil & Gas

In the period under review, the Federal Government through the Nigerian National Petroleum Corporation (NNPC) ordered the importation of 90 cargoes of Petroleum Motor Spirit (PMS), 28 cargoes of Dual Purpose Kerosene (DPK) and 10 cargoes of Automotive Gas Oil (AGO). The massive importation was designed to meet the country's ever increasing petroleum products demand.

The Federal Executive Council (FEC) approved a contract for the supply of strategic fuel reserve, totalling 39.65 billion litres of Low Pour Fuel Oil (LPFO), for Egbin Electric Power Plc at the cost of ~~₦~~4.2 billion.

The Management of the Pipelines and Products Marketing Company (PPMC), a subsidiary of the NNPC, approved new ex-depot prices for LPFO and AGO (otherwise called diesel) with effect from January 4, 2010. The new prices are ~~₦~~92 per litre of AGO, and ~~₦~~73 per litre of LPFO. Fears have been expressed in some quarters that manufacturers and other users of natural gas for power generation may face hard times; this is because past experiences have shown that increase in the price of LPFO automatically hikes the price of natural gas.

The Kaduna refinery resumed operational activities in February, 2010 after lying idle for two years; it produced 14.989 million litres between February and March, 2010 with an average production of 1.5 million litres of fuel daily. Meanwhile, the Federal Government has declared that there is no specific date for the commencement of deregulation of downstream operations unless the problems with the nation's refineries and other infrastructural challenges associated with the petroleum industry are tackled.

Energy

In an effort to achieve its 6,000 mw of electricity production in the country, the Federal Government disbursed US \$4.6 billion for financing of the Niger Delta Power Projects, National Independent Power Projects (NIPPs) and Mambila Power Project, amongst others. However, the critical areas of transmission and distribution of electricity remained in deplorable conditions. The Power Holding Company of Nigeria (PHCN) requires 750 mscf of gas per day, but only gets about 230 mscf, representing about 30.67 per cent of the volume required to generate between 2,500 and 3,000 mw of electricity daily for the country. Moreover PHCN has indicated its readiness to generate 4,040 mw from its available capacity, if there is enough gas. In a related development, the Federal

Government distributed 500 kVA generators to eight states that had been assessed to have started establishing enterprise zones. The beneficiary states are: Imo, Ebonyi, Kogi, Bauchi, Bayelsa, Ekiti, Osun, and Kano.

Telecommunication

The Nigerian Communication Commission (NCC) issued a directive on Subscribers Identification Module (SIM) cards of all new and existing subscribers to the telecommunication networks to be properly registered with effect from March, 2010. This directive is aimed at creating a proper record of telephone subscribers in the country, and to be able to identify and trace telephone users in case of criminal conduct. The exercise will require verification with e-passports or drivers' license/tax cards, and company identification cards with a pension or tax number.

Macroeconomic Indicators, First Quarter, 2010

S/N	INDICATORS	Q1
1	MPR (%)	6
2	CRR (%)	1
3	Inflationary Rate (%)	12.3
4	External Reserve(₦ billion)	40
5	GDP (%)	6.68
6	Crude Oil (\$' bpd)	79
7	Exchange Rate (₦ /\$)	148.3
8	Currency in Circulation (₦ trillion)	1.08



Economic & Financial

Update

April - June, 2010

Economic and Financial Update (Second Quarter, 2010)

Sectoral Updates

The Economy in General

The second quarter started with the tragic death of President Umaru Musa Y'Aradua on the 6th of May, 2010. The unfortunate incidence created temporary setbacks as major initiatives which were yet to be implemented prior to his death were put on hold. However, the then Acting President, GoodLuck Jonathan was sworn in as the President of the Federal Republic of Nigeria, in line with the constitutional provisions. Thus creating a resurgence of hope to Nigerians and to the international community.

Consequently, foreign exchange market remained relatively stable, benefiting from the increased confidence in the naira and the efficacy of the current exchange rate policy of liberalizing the market to enhance foreign exchange supply from autonomous sources. The Whole Sale Dutch Auction Sale rate opened at N150.27 (inclusive of 1% commission) and closed at 150.09/US\$1, with an average exchange rate of N150.24/US\$1, thus representing an appreciation of 30 kobo (or .20% increase) from the preceding quarter which opened at an exchange rate of N149.08/US\$1, and closed at N149.78/US\$1, with an average exchange rate of N149.94US\$1.

Meanwhile, naira exchange rate appreciated by N0.28 or 0.2% from N148.78/\$ to N148.50/\$, while at the parallel market, exchange rate depreciated by 0.33% to N153.50/\$. This fluctuation can be attributed to the interventions by the CBN, in the foreign exchange market in a bid to defend the naira at the expense of building the foreign reserves, coupled with heavy demand. At the inter bank market, exchange rate appreciated by 0.45% to N151.38/\$1 due to increased sales by oil companies.

However, consumer inflation dipped to 10.3% in June from 12.5% and 11% recorded in the months of April and May respectively as against 11.8% of the preceding quarter, representing a decrease of 14.56%. This depreciation can be attributed to the hike in the prices of food, which is likely to pose upside risks existing in the form of public sector wage hikes in the light of the anticipated budget deficit and the operationalisation of the proposed Asset Management Corporation, just approved by the President.

Meanwhile, President GoodLuck Jonathan signed the 2010 appropriation bill into law, with emphasis on proper implementation of the budget. While signing into law, the Local Content Bill, Dr. Jonathan reiterated that the ministry of special

duties will be restructured to monitor and evaluate budget performance. The 2010 budget of N4.6 trillion has a deficit of N1.52 trillion with an average crude oil price of \$67 per barrel, oil production of 2.35 million barrel per day; an exchange rate of N150 to the US dollar, an inflation rate of 11.2% and GDP growth of 5.47%. The budget is expected to assist in facilitating laudable initiatives towards economic development.

The Federal Government approved N10 billion for the Federal Government Staff Housing Loans Board. The board, which would assist public servants in securing loans to build or buy their own houses before retirement, will grant loans at 3 per cent interest rate per annum with a maximum of 25 years repayment tenure. Given the resources at its disposal, the board has been able to provide houses for more than 4,000 federal government public servants.

The Federation Account Allocation Committee (FAAC) approved the creation of another account sub-head within the Federation Account, to cater for any extra cash accruing to the federation above the monthly projected revenues from mineral and non-mineral sources, after deducting the statutorily approved maximum of N365.88 billion.

Other Developments within the Financial Services Sector

The National Insurance Commission (NAICOM) indicated its resolve to revoke the certificate of insurance with firms who default in the payment of genuine claims to policy holders. The sanction was communicated during the flagging-off of six compulsory insurance products namely; Employment Liability Insurance, Group Life Insurance; Builders Liability Insurance, Occupiers Liability Insurance, Healthcare Professional Indemnity Insurance and Motor Third Party Liability Insurance. This became necessary in order to shore up the public's confidence in the insurance industry and increase its patronage, exponentially.

In the period being reviewed, a Nigerian finance intermediation firm secured fund totaling \$400 million for microfinance banks in the country. The fund is provided by a trading limited company in Dubai, and is secured with bank guarantees from Suisse Bank plc, a private bank based in the UK. The fund would allow microfinance banks (MFBs) access to long term debt funds of up to a maximum of 10 years. Under the scheme, participating microfinance banks in Nigeria with interest in mechanized agriculture and micro credit investment scheme, will be given money as a subordinated convertible debenture through a specially designed scheme by Africa Capital and Business Support Limited, and the African Investor Protector Programme. This is intended to leverage the Agricultural Credit Guarantee Scheme of the Central Bank of Nigeria and make it accessible to the members of the lower income stratum of the society.

As part of efforts to proffer solutions to the lingering financial crisis, the Financial Services Regulation and Coordination Committee (FSRCC) issued new guidelines on margin lending. Under these guidelines, operators interested in margin trading are to apply to the Security and Exchange Commission (SEC) for re-certification; while banks and other financial institutions under the CBN's purview are to apply to the CBN for re-certification. Secondly, banks' aggregate exposure to margin lending shall not exceed 10 per cent of the bank's total loans and advances, while banks with exposure in excess of 10 per cent would be required to submit to the CBN, a clear plan of how they intend to wind down their exposure in compliance with the prudential limit. These new directives issued are expected to regulate all aspects of margin trading from bank facilities to transactions in the capital market, with a view to forestalling a recurrence of high non-performing loans associated with margin lending in banks.

Money Market

The Central Bank of Nigeria (CBN) directed all Money Deposit Banks (MDBs) to limit their total outstanding exposures to all tiers of government, and their agencies, to 10 per cent of their credit portfolio. In furtherance to this, banks are to ensure that aggregate large exposures do not exceed eight times the quantum of shareholders' funds, unimpaired losses, while the top fifty exposures should not be more than 50% of the total loan portfolio, and must be in ten different sectors of the economy.

In the period under review, non-interest Islamic banking was included in the new CBN proposed financial model. The banking system, which is based on a profit sharing basis from ventures engaged in using customers' deposits and the bank's capital, is permitted to operate in all the states and federal capital territory with depositors participating in the share of profits and loss of the bank. While Islamic banking struggles to take its roots in the Nigerian financial sector, the international business scene is dotted with an increasing demand for sharia-compliant products due to export-led Asian economic growth and crude oil income in the Persian Gulf.

The CBN in June, created a N200 billion Small and Medium Enterprise Credit Scheme (SMECGS) with a guarantee of N100 million for the operations of Small and Medium Scale (SMEs). The fund is to be expended in the form of working capital, upgrade/expansion, refurbishment/equipment and overdraft. Under this scheme, banks are expected to lend at the prime lending rate (MPLR) with a lending rate that is market-driven. However, a criterion for participation in the scheme is for all Small and Medium Enterprises (SMEs) promoters and manufactures to belong to any private sector associations such as Manufacturers

Association of Nigeria (MAN), National Association of Small Scale Industries (NASSI), and the Nigerian Association of Small and Medium Scale Enterprise (NASMSE). Also, the CBN approved an increase in the minimum paid-up capital of Unit Microfinance banks from N20 million to N100 million, and the State Microfinance banks from N1 billion to N2 billion, thus representing an increase of 500 per cent and 100 per cent respectively.

CBN also successfully concluded its gazette on Anti-Money Laundering/Counter Terrorism Financing Compliance Manual, which was last reviewed in 2009. According to the Circular signed by the Director, Financial Policy and Regulation, Mr. I.T Nwaoha, the new manual will be renamed 'CBNAML/CFTRREGULATION(2009)' as against AML/CFI Compliance Manual formerly issued in October, 2009. In furtherance to this, all money deposit banks and financial institutions are required to comply with the requirements of the new manual and also designate its AML/CFT Chief Compliance Officer with the relevant competence, expertise and independence to implement the institution's AML/CFT Compliance Programme.

CBN has also concluded a three week certification programme intended for the first batch of the Microfinance Bank operators. The certification programme, which is intended to benefit the institutions by enhancing capacity building and competence, was benchmarked with other professional institutions and would be used as a criterion for operations within the Microfinance sub-sector.

Capital Market

The Securities and Exchange Commission (SEC) introduced 23 new rules and eight amendments to assist the market in attracting more investors while ensuring transparency and efficiency in the Nigerian capital market. One of the new rules is the Rule 64(7), which stipulates that unsuccessful applicants in public offer where returned monies are not dispatched in accordance with the commission's rules, shall be paid an interest rate not below the CBN Monetary Policy Rate (MPR) which is 6 percent, plus 5 per cent (which amounts to 11 percent)

Stock Market at A Glance
Top Five Stocks as at July 1st, 2010

Company	Opening Price (₦)	Closing Price (₦)	Change (%)	
Gainers				Gain (₦)
BCC	60.00	63.00	5	3.00
WAPCO	38.00	39.00	2.6	1.00
CCNN	16.90	17.60	4.14	0.70
Ashaka Cement	18.90	19.50	3.17	0.60
UAC-Prop	21.00	21.50	2.38	0.50
Costain Nigeria	7.22	7.58	4.99	0.36
UPL	6.40	6.72	5	0.32
May Baker	5.57	5.84	4.85	0.27
Losers				Loss (₦)
Cadbury	28.59	27.17	4.97	1.42
Nigerian Breweries	64.00	63.00	1.56	1.00
Flour Mills	69.40	69.00	0.58	0.40s
Honey Flour	8.05	7.65	4.97	0.40
IntBrew	7.19	6.84	4.87	0.35
First Bank of Nigeria Plc	13.50	13.17	2.44	0.33
NASCON	7.79	7.55	3.08	0.24
Oando Plc	75.20	75.00	0.27	0.20
EcoBank Plc	4.90	4.70	4.08	0.20

Source: Business Day, July 1st, 2010

Most Active Sectors (By Deals)

Sectors	Deals
First Bank	256.6
GT Bank	72.9
Zenith Bank	30.6
Union Bank	16.6

Access Bank	12.1
Oceanic Bank	10.8
Skye Bank	7.2
Diamond Bank	5.3
Nigerian Breweries	3.5

Source: Business Day, July 1st, 2010

Oil & Gas

The Federal Government introduced a change in the management of the Nigerian National Petroleum Corporation (NNPC) and the Department of Petroleum Resources (DPR) with the appointment Alhaji Shehu Ladan, former Group Executive Director, Commercial and Investment of NNPC as the new Group Managing Director of NNPC, following the removal of the former GMD of NNPC, Alhaji Mohammed Barkindo. In furtherance to this, the Federal Government approved the merger of three subsidiary trading companies of NNPC, namely, Hyson, NAPOIL and Duke Oil, which are to be established as a business entity known as International Trading Company (ITCO).

Meanwhile, the Petroleum Product Pricing Regulatory Agency (PPPRA) approved the importation of four billion litres of Premium Motor Spirit (PMS) for domestic consumption. This would be imported by NNPC, oil marketers and other fuel importers.

Energy

President Good Luck Jonathan directed the Ministry of Power to begin the full implementation of the Power Sector Reform Act 2005 to encourage and facilitate private sector participation, that can result in efficient service delivery to Nigerians. The partial implementation of the Act led to the establishment of Nigerian Electricity Regulatory Commission (NERC) and unbundling of PHCN into 18 successor companies broken down as follows: Generation-6, Transmission-1 and Distribution-11. Also, the President approved the composition of a new power reform structure, which aims to transform the power sector and breathe life into electric power in the country. Under the new structure, the power sector is to be supervised by two bodies - the Presidential Action Committee on Power under the President's charge and a Presidential Task Force on Power. The former shall have the Vice President, Mohammed Namadi Sambo as alternate Chairman, other members include; Minister of state for Power, Minister of Finance, Secretary to the Federal Government, Head of Service, Governor of the Central Bank of Nigeria, Special Adviser on Power and

the Chief of Staff. To ensure optimum working capacity of the nation's biggest power plant, Egbin thermal power station, a Gas Supply and Purchase Agreement was signed between Egbin Generating Company Limited, a subsidiary of PHCN and NNPC/Pan Ocean Joint Venture. The agreement would result in the supply of 65mmcf/d of gas from Pan Ocean's Ogharafe Gas Plant to Egbin.

Telecommunication

The Nigerian Communication Commission issued a directive that all Subscribers Identification Module (SIM) cards of all new and existing subscribers to the telecommunication networks should be properly registered effective from March, 2010. This is aimed at having a proper record of telephone subscribers in the country in order to be able to identify and trace telephone users, in case of criminal conduct. The exercise will require verification with e-passports or drivers' license/tax cards and company identification cards with a pension or tax number.

Meanwhile, the **Digital Bridge Institute (DBI)**, Nigeria, in line with its mandate, and in a bid to further enhance Information and Communications Technology (ICT) development in Nigeria and the African continent at large, has conceived the DBI Diaspora Internship Programme. The DBI (Diaspora Internship Programme) is an internship scheme aimed at harnessing and challenging active youths who have broad knowledge of ICT, towards specific projects with a desire to practically improving and contributing to the wealth of ICT knowledge and awareness in the country.

Macroeconomic Indicators, 2010.

S/N	Indicators	Q1	Q2
1	MPR (%)	6	6
2	CRR (%)	1	1
3	Inflationary rate (%)	12.3	10.3

4	External reserve (₦billion)	40	38.02
5	GDP (%)	6.68	7.23
6	Crude oil(\$bpd)	79	73
7	Exchange rate (₦/\$1)	148.3	148.50
8	Currency in Circulation (₦trillion)	1.08	1.06



Economic & Financial

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July - Sept, 2010

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Sectoral Updates

The Economy in General

The third quarter of the year witnessed relative financial stability. Following an overall GDP growth projection of 7.78 per cent for 2010, provisional data indicated that real GDP grew by 7.69 per cent in the second quarter, up from 7.36 per cent recorded in the first quarter. This is expected to grow further with a projection of 7.72 per cent and 8.19 percent in the third and fourth quarters respectively. However, the non-oil sector is expected to remain the main driver of overall growth, with agriculture, wholesale and retail trade, and services contributing 2.40, 2.04 and 2.08 percent respectively.

In the same period under review, the Nigerian Consumer inflation dropped to 13.6 per cent year-on-year, in September, from 13.7 per cent in August and 13 per cent recorded in July, indicating a 0.1 and 0.6 percentage points decrease respectively. Similarly, the growth in food prices, which form the bulk of the inflation index basket, plummeted to 14.6 per cent in September down from 15.1 per cent in August and 14 per cent in July, thus representing a decrease of 0.5 percentage points and increase of 0.6 percentage points respectively. It is, however, believed that there is room for improvement, if the right monetary policies are targeted towards gradual reduction in the nation's inflation rate.

Also, Nigeria's external reserves stood at \$34.57 billion as at early October, 2010, down from \$37.08 billion in July and \$37.02 billion in August. This downward trend is largely attributed to Nigeria's disbursements to the National Sovereign Wealth Fund (NSWF) and quantum investments in the national power revival programmes. The dip notwithstanding, the current external reserve is adequate and is expected to remain robust in view of the favorable outlook for oil prices and output. Meanwhile, the CBN continued to defend the naira around the current levels by meeting all legitimate foreign exchange demand.

In the public sector, the Federal Government approved the disbursement of N300 million to pensioners who have served in the federal civil service. The payment was made to about sixty thousand (60,000) pensioners across the country, during a biometric verification exercise conducted to ascertain the authenticity of their (pensioners) claims. When this is added to previous payments, ~~N~~600million has so far been paid to 106,000 pensioners of the Federal Civil Service as at the end of the quarter. Prior to the verification exercise, about ~~N~~1.5 billion was paid to the same number of workers on a monthly basis. The exercise therefore, achieved

the aim of cutting down the pension bill, as many of the pensioners did not have genuine claims.

As part of activities to commemorate Nigeria's 50th independence anniversary, a redesigned N50 bank note and the non-circulating collector coins were inaugurated and formally launched on 29th September, 2010 by President Goodluck Jonathan. The Federal Executive Council (FEC) approved the sum of ₦250 million for the production of a compendium, which will highlight the nation's journey so far, - its history, achievements, challenges and aspirations. The compendium will be contained in a 800 page booklet and 5,000 units of CD ROM.

The Federal Government, in collaboration with State Governments earmarked \$1 billion as seed money for the National Sovereign Wealth Fund (NSWF), which was approved by the National Economic Council. This was disclosed at the 10th meeting of the Honorary International Investors' Council (HIIC) in Abuja. The HIIC was charged also with the responsibility of supporting Nigeria in building investors' confidence.

Other Developments within the Financial Services Sector

President Goodluck Jonathan signed the Asset Management Company of Nigeria (AMCON) bill into law on 19th July, 2010. Following his approval, it is expected that AMCON will help to stimulate the recovery of Nigeria's financial system from recent crisis by boosting the liquidity of troubled banks through the purchase of their non-performing loans, thus helping in the recapitalization of banks in which the Central Bank of Nigeria (CBN) was earlier forced to intervene and increase access to restructuring/refinancing opportunities for borrowers. It would be recalled that the CBN had injected N620 billion into the rescued banks to stabilize the Nigerian financial system. Thus, stemming what could have resulted into panic run on deposits and consequently another round of banking crisis in Nigeria

Similarly, in a bid to ensure smooth take off and operations of the Asset Management Company of Nigeria (AMCON), the Bankers Committee approved the transfer of N1trillion into a sinking fund over a 10-year period at a ratio of 0.3 per cent of the 24 banks' balance sheets annually, beginning from December, 2010. It is hoped that the implementation of AMCON would not only help boost customers and stakeholders' confidence in Nigerian banks, but also improve the country's credit and risk ratings, restore confidence in the nation's capital market and prevent continued job losses in the banking industry.

Currently, the total assets of the Nigerian banks stand between N14trillion and N16trillion, while the contribution to the sinking fund is based on a 30 basis point charge. However, with the total non-performing loans of the nine rescued banks standing at N2.2tn, the apex bank will contribute N50billion annually for the 10-year period. This laudable initiative by the Bankers Committee will be backed by a legislation that will be sponsored by the Central Bank of Nigeria.

The tenure of Prof. Ndi Okereke-Onyuike as the Director General of the Nigerian Stock Exchange (NSE) was abruptly brought to an end by the Securities and Exchange Commission (SEC), just about a month to the completion of her 10-year reign as the Director General of the Exchange. Prof. Okereke-Onyuike was relieved of her position at the NSE, following allegations of financial misappropriation leveled against her by the Securities and Exchange Commission (SEC). Her removal was also perceived to have been aided by the supremacy battle between her and the President of the Exchange, Alhaji Aliko Dangote, over the control of NSE. In view of this, the Securities and Exchange Commission ordered an investigation into the financial and operational records of the Exchange, given the gravity of alleged misappropriation. Meanwhile, an interim administration led by Mr. Emmanuel Ikazoboh was set up to manage the affairs of the Exchange pending the approval of a new Director-General.

In an effort to improve the insurance sub-sectors' stake in oil and gas underwriting, NAICOM developed strategies on how to optimize the benefits provided by the Local Content Act. Under this Act, 100 per cent, 70 per cent, and 40 per cent of all life, non-life and marine insurance risks in the Nigerian oil and gas industry must be placed with insurers in Nigeria and no risk can be placed offshore, without the approval of NAICOM, as the mandate will ensure that local capacity is exhausted before ceding risk offshore, with a provision that local insurers should be able to write a minimum of 70 per cent of oil risks at the end of 2010.

Money Market

In the period under review, the Central Bank of Nigeria (CBN) increased the Monetary Policy Rate (MPR) from 6 per cent to 6.25 per cent, increasing it by 25 basis points. The increase became necessary to check increasing inflation in the economy, with inflationary rate rising to 13.7 per cent in August from 13 per cent in July. As a corollary to this, the asymmetric corridor was also adjusted to 200 basis points above and 300 basis points below the MPR for its Standing Lending Facility and Standing Deposit respectively. This adjustment was expected to help cushion the effect of the envisaged inflationary pressure likely to be exerted by fiscal injections arising from the new salary increase in the civil service; expected electioneering expenses; and injections relating to the purchase of non-performing loans by the Asset Management Company of Nigeria (AMCON).

Others are the spill over effect “of the rising food prices from famine in the neighbouring Niger Republic and floods in Asia; deregulation of energy prices as well as the expected increase in household spending towards year-end festivities. Hopefully, the apex bank would continue to monitor price movements with a view to taking appropriate policy measures to stem inflationary threat and ensure that the upside risk of inflation growth was minimized.

The CBN also directed all Money Deposit Banks (MDBs) and other financial institutions operating in the country, to henceforth obtain a credit report from at least, two credit bureaus on customers and clients before granting loans to them. This directive was contained in a circular with reference number BSD/DIR/GEN/CIR/04/014 and signed by the CBN’s Director of Banking Supervision. Hence, three private credit bureaus namely (1) CRC Credit Bureau, (2) XDS Credit Bureau and (3) Credit Registry were licensed by the CBN, to provide credit history on borrowers. To this end, all financial institutions are expected to do the following: (a) obtain a data exchange agreement with, at least, two credit bureaus; (b) obtain credit report from, at least, two credit bureaus before granting any facility to customers; and (c) obtain quarterly report from, at least, two credit bureaus for all pervious loans granted. The purpose is to provide a platform through which financial institutions can strengthen their credit appraisal processes with a view to enhancing credit quality and responsive credit behavior in the financial system

The CBN also directed all Money Deposit Banks (MDBs) to remove external auditors who would have spent 10 years by December 31st, 2010. The directive was in line with the provisions of paragraph 8.2.3 of the CBN Code of Corporate Governance for Banks, which states that “the tenure of the auditors in a given bank shall be for a maximum period of 10 years after which the audit firm shall not be reappointed in the bank until after a period of another 10 years. It could be recalled that in the second quarter of the year, the same directive was given to Managing Directors of banks who had spent ten years by July 31st, 2010.

On a positive note, nine Nigerian banks made the Top 1000 World Bank ranking. The ranking, which was based on Tier-1 capital, was done by the Bankers’ magazine, a magazine known for its global financial intelligence since 1926. The banks in their order of ranking are First Bank, Zenith Bank, Guaranty Trust Bank, Access Bank, United Bank for Africa, Fidelity Bank, First City Monument Bank, Skye Bank and Diamond Bank. While First bank ranked 285th position in the world as against 215th in the previous year, Zenith dropped to 287th from 218th. GTBank ranked 429th from 402nd, Fidelity was 558th from 450th; and FCMB ranked 558th but was not in the 2009 ranking. Skye bank was rated 596th as against 580th a year ago; and Diamond Bank improved in ranking from 802nd to 597th. In spite of this achievement, seven of these banks dropped on the ranking when compared to 2009, while FCMB and Diamond bank moved up the ladder.

However, Oceanic Bank, Intercontinental Bank, Union Bank, Afribank and Bank PHB that made the 1,000 'league' in 2009 could not make it in 2010.

Meanwhile, the CBN proposed new guidelines and reviewed downward the requirements for the new banking license. Following the review, banks will be classified into International, National and Regional banks. The concept of merchant banking was also re-introduced to start in 2011. Under the review, the capital base for international banks was reduced from N100 billion to N50 billion, while national banking license maintained its N25 billion capital base. The capital base for Regional banking license was pegged at N10 billion as against the initial N15 billion, and the newly introduced Merchant banking license will require N15 billion capital base. This review is a follow up to the draft guideline issued in April, and is aimed at promoting a sound financial system.

The new guidelines issued also indicates that a commercial bank with regional banking authorization shall be entitled to carry out its business within a minimum of six (6) and a maximum of twelve (12) contiguous states, within not more than two geo-political zones of the Federation, as well as the federal capital territory (FCT). National banks will carry on business operations within every state of the Federation; while international banks will carry on their businesses within all the states as well as maintain offshore banking operations in jurisdictions of their choice. In view of this, commercial banks have been restricted from carrying out insurance underwriting, loss adjusting services, re-insurance services, asset management services, investment in equity or hybrid-equity instruments, and any other business that may be restricted by the CBN from time to time.

In the same period, the Central Bank of Nigeria revoked the licenses of 224 microfinance banks (MFBs) out of the 820 micro finance banks operating in the country. The move became necessary following the abuse of corporate governance, and financial mismanagement revealed by an examination carried out by the regulators (CBN and NDIC) on the sector of the economy. While non-performing loans in the banks stood at N19.6 billion, only N6.1 billion was regarded as shareholders' fund. The audit of the financial system by regulatory authorities which began in February and was concluded in June, revealed that 224 of the microfinance banks (MFBs), representing 27 per cent, were found to be terminally insolvent and had stopped operations for, at least, six months. Hence, NDIC being the deposit insurer for the banks, shall pay a maximum insurance coverage of N100,000 per depositor. Evidently, this high level of non-performing loans resulted in high loan portfolios, gross under capitalization in relation to the level of operations, poor corporate governance and widespread incompetent

boards. Also, high level of insider related credits and heavy investments in the capital market attributed to the distress of these MFBs.

Capital Market

In a renewed bid to restore investors' confidence and promote market integrity, about 260 companies and individuals were arraigned before the Investments and Securities Tribunal (IST) for alleged violation of the Investment and Securities Act 2007 by the Securities and Exchange Commission (SEC). The affected parties who were involved in various offenses ranging from price fixing, share price manipulation, fraud to insider trading as opposed to the provisions of the Act include banks, some capital market operators, individuals and entities. Also included as part of the alleged violation by these entities and individuals was the purchase or sale of securities that did not involve a change in the beneficial ownership of the securities and transactions conducted to maintain, inflate, depress or fluctuate the price of a security.

Meanwhile, not less than 95 out of the 292 workers in the employment of the Nigerian Stock Exchange had their appointments terminated. The development was in line with the restructuring exercise embarked upon by the interim management of the Exchange. Those affected were mostly General Managers and Assistant General Managers, while some officials of administrative and accounts departments were not left out of the retrenchment exercise. The exercise, aimed at reducing staff strength by 32.5 per cent, was in furtherance to the Exchange goal to restore investors' confidence in the capital market; and achieve the strategic vision of the NSE being the leading Stock Exchange in Africa.

Stock Market at A Glance Top Ten Stocks as at October 1st, 2010

Company	Opening Price (₦)	Closing Price (₦)	Change (%)	
Price Gainers				Gain (₦)
Nigerian Breweries	71.03	74.58	5	3.55
UACN	38.40	40.32	5	1.92
Oando	58.26	59.95	2.9	1.69

Cadbury	24.17	25.37	5	1.20
Dangote Sugar	14.93	15.67	5	0.74
Dangote Flour	11.99	12.46	3.9	0.47
Flour Mills	56.65	57.10	0.8	0.45
Access Bank	7.99	8.38	4.9	0.39
Skye Bank	7.19	7.54	4.9	0.35
UBA Plc	9.10	9.45	3.8	0.35
Losers				Loss (₦)
Total	237.50	225.63	5	11.87
Julius Berger	53.99	52.00	3.7	1.99
Glaxo SmithKilne	26.18	24.91	4.9	1.27
Ashaka Cement	21.00	20.00	4.8	1.00
BCC	68.50	68.00	0.7	0.50
CCNN	13.20	13.00	1.5	0.20
Nigerian Bottling Company	35.00	34.85	0.4	0.15
HIS	2.99	2.85	4.7	0.14
RT Briscoe	2.82	2.70	4.3	0.12
Custodyins	2.33	2.22	4.7	0.11

Source: Punch, October 1st, 2010

Most Active Sectors (By Volumes)

Sectors	Transaction(N' Million)	% Of Total Volume of Transaction
Banking	6,136.77	51.28
Insurance	119.98	1.00
Building Materials	2,604.78	21.76
Food, Beverage & Tobacco	819.52	6.84
Conglomerates	319.22	2.66

Source: The Nation, October 4th, 2010

Oil & Gas

The Minister of Petroleum, Mrs. Diezani Alison-Madueke approved the third quarter fuel import allocation for major oil marketers, depots and other importers of petroleum products including the Nigerian National Petroleum Corporation (NNPC). The approval was part of government's effort to sustain the availability and affordability of petrol in the country, the quantity of which amounted to 3.2 million metric tonnes Premium Motor Spirit (PMS), popularly called 'petrol'. While the estimated optimum volume requirement for the period is estimated to be 3,131,991.05, an excess of over 800,000 metric tonnes was approved in order to ensure uninterrupted fuel supply. However, the country recorded lower fuel consumption in the period under review, due to increased farming activities and reduced commuters' movement brought about by the rainy season.

Energy

Following the two-day strike embarked upon by the National Union of Electricity Employees in August, the entire country was plunged into total darkness, which culminated in the paralysis of major economic activities. The strike was connected to the arrears of monetization allowances owed the electricity workers, which was estimated to be about N57 billion. However, the industrial action was called off in the late hour of August 26, after the intervention of the Federal Government that released a sum of N200 billion to clear the owed arrears. Meanwhile, the strike re-enacted the strident agitation for the privatization of PHCN from some quarters, on account of business losses sustained while the strike lasted.

Agriculture

The Central Bank of Nigeria signed a Memorandum of Understanding (MOU) with the Alliance for a Green Revolution in Africa (AGRA), an Africa-based NGO for an innovative mechanism to finance agriculture in the country. The NGO, which works in partnership with governments, agricultural research organizations, farmers and the private sector to sustainably improve the productivity and income of poor farmers in Africa, also aims to achieve a food security and prosperous Africa through the promotion of rapid, sustainable agricultural growth based on smallholder farmers. Though, the agricultural sector contributed about 42 per cent of the Gross Domestic Product, it only benefited from one per cent of lending from the banks. Hence, the arrival of AGRA will assist in designing a blueprint that will address the concerns of the banks; a blueprint for risk sharing and for incentives, for policies and for watching the other government agencies, such that it will unlock financial value chain in agriculture.

Telecommunication

Two notable bodies, the Association of Telecommunication Companies of Nigeria (ATCON) and the Information Technology Association of Nigeria (ITAN), signed an MOU to exchange information for the benefit of the ICT industry. With this development, each of the parties in the alliance is mandated to submit a copy of the input that it makes to the agreement to government, for information purposes only. The rationale behind this, is to enhance understanding and minimize discordance in the different input from which government can base its decisions. This action will ensure that ITAN and ATCON keep themselves aware of the input that each makes into governance; while the goal of the alliance is to forge a seamless focus as advocacy groups to influence critical government policies at all levels, with regards to the ICT industry with minimal discordance

Macroeconomic Indicators, 2010.

S/N	Indicators	Q1	Q2	Q3
1	MPR (%)	6	6	6.25
2	CRR (%)	1	1	1
3	Inflationary rate (%)	12.3	10.3	13.7
4	External reserve (₦billion)	40	38.02	36.94
5	GDP (%)	6.68	7.23	7.72
6	Crude oil(\$bpd)	79	73	74.87
7	Exchange rate (₦/\$1)	148.3	148.50	147.07
8	Currency in Circulation (₦trillion)	1.08	1.06	1.13



Economic & Financial

Update

Oct – Dec, 2010

Economic and Financial Update (Fourth Quarter, 2010)

Sectoral Updates

The Economy in General

The fourth quarter of the year started with Nigeria's 50th anniversary celebration, which was marked on October 1, 2010. The celebration was, however, marred by a bomb explosion around the venue of the event, which left fourteen people dead and many more injured. This slowed down economic activities for a while, as all efforts were geared towards finding the perpetrators on one hand, while there were frantic moves to manage the negative signals sent to potential investors, on the other hand.

In spite of this, the country witnessed an overall GDP of 8.19 per cent in the quarter, up from 7.72 per cent in the third quarter. This was an impressive record, considering the overall GDP growth projection of 7.85 per cent for 2010. Though the growth was generally assumed to have been driven by production outcomes from crude oil and the agricultural sector many believed that it did not translate to real positive impact on business performance and the economy as a whole. Nonetheless, the non-oil sector remained a major driver of overall growth in the quarter.

Nigerian's foreign reserves also came under considerable pressure, particularly from demand by foreign exchange users, during the period under review. Analysis of movement in the reserve position reveals that Nigeria's external reserve eased to \$32.35 billion in December, representing a fall of 5.94 percent and 3.86 per cent from \$33.60 billion and \$34.27 billion recorded in October and November respectively. Similarly, the Nigerian Consumer Inflation (NCI) depleted to 11.8 per cent year-on-year, in December, from 13.4 per cent in October and 12.8 per cent recorded in November, indicating a 1.6 and 1 percentage points decrease respectively.

Despite the decline in inflation, growth in food prices, which forms the bulk of the inflation index basket, edged up to 14.4 per cent year-on-year from 14.1 percent early in the quarter. The slight increase in the index was occasioned by the rise in the prices of some food items like oil and fats, vegetables and fruits. The persistent inflationary upsurge remains a major challenge, especially when viewed against the relatively good harvests and improved supply of petroleum products. This reality further underscored the need to address the supply-side constraints in the medium to long term, to stem the tide of food insecurity and avoidable spiral inflation in the economy.

In a bid to jointly create an African Central Bank (ACB) with other African countries, the Federal Government of Nigeria approved the acquisition of an office complex from the Central Bank of Nigeria (CBN) in Abuja. Following the approval, a technical steering committee, comprising of the CBN Governor as the Chairman, was set up to oversee the building of ACB, and establish its headquarters. The ACB's mandate is to initiate, monitor and conduct in-depth studies; achieve a single currency for African nations; determine the monetary policy and optimal exchange rate for African countries, as well as determine the conditions for settling financial crises like bankruptcy and excess liquidation. It may be recalled that the decision to establish the headquarter of ACB in Abuja was approved on December 10, 2008 at a Federal Executive Council (FEC) meeting, and was consolidated by a signed Memorandum of Understanding (MOU) between the African Union Commission and the government of the Federal Republic of Nigeria.

Within the period, the Federal Government reviewed the importation policy by lifting the 7-year ban placed on the importation of textile materials, furniture, toothpicks and cassava products. It also raised the age limit placed on importation of vehicles into the country from 10 to 15 years. Consequently, there was an introduction of a 20 per cent duty on the products and a 15 per cent surcharge as new levy. However, for health products and energy drinks, it was a 10 per cent duty rate and 10 per cent levy.

Other Developments within the Financial Services Sector

During the period under review, the Senate confirmed the appointment of the Board of the Asset Management Corporation of Nigeria (AMCON). It is made up of the Chairman designate, Mr. Aliyu Kola Belgore OFR; the Managing Director, Mr. Mustafa Chike Obi; Mr. Hewett Adegboyega Benson, Executive Director; Mr. Abbas Muhammed Jega, Executive Director; Dosunmu Mofoluke Benedicta, Executive Director; and Ms. Eniye Ambakaderemur, Non Executive Director. The institutional representatives on the Board include the Permanent Secretary, Federal Ministry of Finance, Mr. Danladi Kifasi; the Deputy Governor, Financial System Stability, Central Bank of Nigeria, Dr. Kingsley Moghalu; the Director General, Security and Exchange Commission, Ms. Aruma Oteh; and the Managing Director, Nigerian Deposit Insurance Corporation, Alhaji Umar Ibrahim. AMCON was actually created to be the principal channel for the resolution of the asset quality problems confronting the banking system in the last two years as well as provide an alternative to the liquidation of distressed banks. Besides the purchasing of non-performing loans (NPL) from the banks, AMCON would also be a vehicle for recapitalizing the affected banks.

Following the inauguration of its board, AMCON approved the purchase of all the margin loans in the banking sector, including total non-performing loans of banks rescued by the CBN. AMCON has concluded arrangements to purchase the non-performing loans of 17 banks, 5 of which were rescued by the CBN. AMCON and the affected banks reached an agreement on the loans to be purchased and their valuations, while it was decided that the rescued banks would be recapitalized to the zero level. It may be recalled that in 2009, up to 10 out of the 24 banks in the country failed the CBN's stress test, following the report that their balance sheets were eroded by huge non-performing loans and other related causes, such as poor corporate governance, liquidity and poor asset quality.

The Central Bank of Nigeria (CBN) granted provisional approval for new operating licenses to 121 microfinance banks (MFBs) out of the 224 microfinance banks which had their licenses revoked in 2010. The approval was, however, subject to their fulfillment of certain specific requirements within three months, such as the capitalization of prior deposits for shares and the new capital injection to bring the shareholders' fund levels that are unimpaired by losses to the prescribed minimum of N20 million; good corporate governance; sound risk management system and strong internal controls to forestall avoidable losses, closure of unapproved branches, cash centers and customer meeting points, among others. Measures were also put in place by the CBN, to ensure that the MFBs lived up to their primary objectives of fostering financial inclusion, fighting poverty and empowering low-income and vulnerable groups. These measures include the review of the microfinance policy framework, introduction of a new operational template to benchmark microfinance banking, capacity building to develop a critical mass of knowledge and skill of human capital, as well as examining the possibility of introducing a Micro, Small and Medium Enterprises (MSME) fund to catalyze a sustainable development of the microfinance space.

The Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB) began its rebranding exercise by changing of the institution's name to Bank of Agriculture Limited. The bank's repositioning was aimed at enhancing its effectiveness and making it a sustainable national agricultural and rural development finance institution. The bank's Managing Director, Dr. Mohammed Santauraki, had, on assumption of duty, announced the agenda to reposition the bank. The agenda includes modernization, institutional capacity enhancement and reformation of the bank's key mandates. Also outlined are corporate rebranding, enhancement of information technology and upgrading of the working environment and tools as elements of its modernization programme.

Money Market

In its efforts to boost and sustain confidence in the e-payment system, the CBN directed all Deposit Money Banks (DMBs) to migrate to the Nigeria Central Switch (NCS) by December 1, 2010. Consequently, the banks, switching companies and all other parties linked to the Nigerian Switching Infrastructure and private switches were to disengage connections to one another and connect to the integrated NCS. The service, as currently being offered by Interswitch, E-tranzact, Chams, Card Technologies and Value Card, provides the platform for easy electronic banking transactions among banks. Hence, with the emplacement of NCS, various schemes will now become widely operational and accessible, as all terminal devices including Point of Sales (POS) and Automated Teller Machines (ATMs) will be configured to accept and process all payment card schemes as well as other electronic payment instruments, that are acceptable in Nigeria.

Also, in the period under review, the apex bank directed commercial banks in the country to check the rising incidences of fraud in the electronic payment system or absorb the liability incurred by its customers. The directive was necessitated by the escalating complaints emanating from Automated Teller Machines (ATMs) transactions. It also ordered that “all card issuing banks should deploy fraud monitoring tools that have the capability to monitor the normal spending trends of card holders as well as automatically stop transactions perceived to be fraudulent”.

Furthermore, all Money Deposit Banks, under the purview of the Bankers’ Committee, resolved to provide funding support to critical sectors of the economy, in a bid to ensure sustained economic development in the country, by floating development bonds. The resolution was arrived at during the Bankers’ Committee National Retreat titled, “The Role of the Nigerian Financial System in Economic Development”. It was envisaged that the development bond would provide funds to finance infrastructure in critical areas like power, agriculture, transportation as well as small and medium scale enterprises in the country. To consolidate this, an agreement was reached to develop guidelines on asset allocation and investment of pension funds and propose a reduction in charges for establishing companies to the Corporate Affairs Commission (CAC) in order to encourage local entrepreneurship and improve public and private sector capacity partnership.

The Central Bank of Nigeria revoked the licenses of all existing Class ‘A’ Bureau De Change (BDCs) with effect from November 8, 2010. However, Class ‘A’ BDCs were free to apply for Class ‘B’ license with the attendant privileges by fulfilling the stipulated licensing requirements, while all mandatory caution deposits lodged with the bank were refunded within 30 days. This measure, validates CBN’s commitment to eradicate money laundering, as it became imperative to stem the gross abuses of the enhanced official funding of the Class ‘A’ BDC in the

allocation of foreign exchange, because large transactions that should have passed through the banking system were being carried out through this channel. The CBN had earlier restructured the Bureaux De Change (BDCs) in February 2009 into categories A and B, in order to liberalise the foreign exchange market and enhance its efficiency.

As part of its policies to strengthen the nation's financial landscape, the CBN issued an operating license to the Integrated Cash Management System Limited (ICMSL) and the Bankers Warehouse Limited (BWL), to operate as cash-in-transit and currency sorting companies for the apex bank, for a period of twelve months. In view of this, they will be responsible for handling cash movement and currency sorting operations, which the apex bank handles currently, thereby reducing the volume of cash in their vaults and the CBN's exposure to such risks as armed robberies, burglary etc. . However, the licensed companies were expected to meet some registration requirements, which included a paid-up capital of N2.9 billion before commencing operation.

A provisional approval was given by the CBN to one of the leading banks in Nigeria, Ecobank Plc, to carry on mobile banking services. The bank was mandated to provide mobile banking, payment and associated services to its customers and non-customers on the platform, using agent networks and the mobile phone as means of authentication. The innovation was expected to facilitate gradual migration to a cashless economy, reduce cost of handling cash as well as provide jobs, because over 30,000 network of agents were being set up across the country. The service would also offer the convenience of existing online services like account balance information, funds transfer and bill payment and generation of mini-statements by making them accessible from any mobile device.

Capital Market

The Capital Market Committee (CMC) approved the extension of trading hours on the floor of Nigerian Stock Exchange (NSE) nationwide by two hours from 9.30am-12.30pm to 9.30am-2.30pm. The extension, according to the Interim Administrator of the NSE, Mr. Emmanuel Ikazoboh, would attract more foreign investment to the capital market as well as reposition the stock market for enhanced competitiveness. The new trading hours started on December 6, 2010, although it was initially scheduled to start on December 1, 2010. The CMC, an industry-wide committee, consists of members from the Securities and Exchange Commission (SEC), NSE, representatives of capital market operators and other stakeholders. It meets every three months to deliberate on issues affecting the market and other policy issues aimed at developing and enhancing the growth of the market.

Stock Market at Glance
Top Ten Stocks as at December 31st, 2010

Company	Opening Price (₦)	Closing Price (₦)	Change (%)	
Gainers				Gain (₦)
Custodyins	3.00	3.15	5.00	0.15
IHS	2.60	2.73	5.00	0.13
Presco	6.53	6.85	4.90	0.32
Vitafoam	6.35	6.66	4.88	0.31
Bagco	2.10	2.20	4.76	0.10
Starcomms	1.38	1.44	4.35	0.06
Unity Bank	1.15	1.20	4.35	0.05
NAHCO	9.80	10.20	4.08	0.40
Law Union	0.53	0.55	3.77	0.02
Unilever	25.94	26.90	3.70	0.96
Losers				Loss (₦)
Berger	8.80	8.36	5.00	0.44
Prestige	2.20	2.09	5.00	0.11
NBC	37.95	36.07	4.95	1.88
Academy	3.87	3.68	4.91	0.19
DN Meyer	3.69	3.51	4.88	0.18
Evansmed	1.15	1.10	4.35	0.05
Costain	6.75	6.49	3.85	0.26
Afri Bank	2.26	2.18	3.54	0.08
Wema Bank	1.33	1.29	3.01	0.04
FCMB	7.70	7.50	2.60	0.20

Source: Punch, January 1st, 2011

Most Active Stocks (By Volumes) from the week Friday 24th December to Thursday, 30th December 2010

Sectors	Price (N)	Volume Traded
GUINEAINS	0.50	250,570,500
MTI	0.50	101,003,000
INTENEGINS	0.50	58,880,732
ZENITH BANK	15.00	52,930,092
FIRST BANK	13.70	43,226,843
OCEANIC	2.45	34,124,853
GUARANTY	17.80	31,821,374
DIAMONDBANK	7.49	26,220,136
FCMB	7.70	23,117,906
SKYE BANK	8.80	21,025,753

Source: The Guardian, January 3rd, 201

Oil & Gas

The Nigeria's crude oil refinery capacity suffered a setback following a shutdown of the Kaduna Refinery and Petrochemical Company (KRPC) after a major pipeline supplying crude oil to the refinery was vandalized by a group of militants in Delta State. This resulted in a production cut of about 110,000 barrels per day (bpd). The development came on the heels of a force majeure declared by Shell on exports from its Bonny Terminal, thereby shutting in 220,000 bpd of exports. Nigeria with total refining capacity of 445,000 bpd never reached full production capacity utilization due to sabotage and operational failures.

Energy

In its efforts to facilitate the delivery of electric power to Nigerians, the Federal Government directed the Power Holding Company of Nigeria (PHCN) to pay all outstanding debts for the acquisition of gas in the country. The directive came following the Nigerian National Petroleum Corporation's (NNPC) projection of five billion square cubic feet (scf) of gas consumption by 2015. In furtherance to this, the NNPC, the Ministry of Power and other stakeholders were charged by the Chairman of the Presidential Task Force on power, Vice President, Namadi Sambo, to work out modalities to address the shortage of dry gas, with a view to facilitate immediate delivery of power to the citizenry. Consequently, the National Gas Company (NGC) was urged to start the process of procurement in anticipation of the approved 2011 budget in order to avoid delays in its operation in 2011.

Telecommunication

During the period under review, the federal government approved the sales of Nigerian Telecommunication Limited (NITEL) to the New Generation Consortium Limited, with a caveat that an initial deposit of \$750 million be paid by the consortium out of \$2.5 billion bid it made for the national carrier. Hence, the bid security sum of \$750 was required to be paid within 10 calendar days from the date of issue of a demand letter from the Bureau of Public Enterprises (BPE), as a pre-condition for the issuance of an offer letter in its bid to acquire NITEL and M-TEL. The New Generation Consortium emerged the preferred bidder with an offer price of \$2.5 billion at the financial bids for the privatization of NITEL and M-TEL, while the reserve bidder, OMEN International, made an offer price of \$956.9 million.

Following a 30-month labour crisis that rocked the Nigeria Telecommunication Limited/Mobile Telecommunication (NITEL/M-TEL), the sum of N51.6 billion was approved by the Federal Government as exit package for its workers. The approved sum would be used to settle the backlogs of salaries and terminal benefits of both permanent and casual staff of NITEL and M-TEL. This is in fulfillment of the recommendation made by the Task Force on NITEL/M-TEL Labour Restructuring's recommendation, which stated that: "all staff be exited and paid off their entitlement, while critical staff to facilitate a smooth handover to a core investor will be immediately re-engaged, such that the wage bill will not exceed 10 per cent of the current wage bill. Likewise, the security of facilities will be outsourced to the existing security personnel being absorbed, so that a vacuum is not created".

Macroeconomic Indicators, 2010.

S/N	Indicators	Q1	Q2	Q3	Q4
1	MPR (%)	6	6	6.25	6.25
2	CRR (%)	1	1	1	1
3	Inflationary rate (%)	12.3	10.3	13.7	11.8
4	External reserve (\$'billion)	40	38.02	36.94	32.35
5	GDP (%)	6.68	7.23	7.72	8.19
6	Crude oil(\$bpd)	79	73	74.87	93
7	Exchange rate (₦/\$1)	148.3	148.50	147.07	149.17

8	Currency in Circulation (₦ trillion)	1.08	1.06	1.13	1.37

Source: Sundry Sources: Releases from the Monetary Policy Committee meetings of the Central Bank of Nigeria (CBN), published news stories from the Federal Office of Statistics (FOS), news reports on the international oil markets as published by the dailies and indicators from the websites of key economy regulators.