

Macroeconomic Indicators as at April 29, 2011



Money Market Rates	End of Q4, 2010	January, 2011	February, 2011	March, 2011	April, 2011
OBB	8.23%	4.77%	7.88%	9.50%	9.50%
Call	8.56%	6.34%	8.25%	11.00%	10.95%
MPR	6.25%	6.50%	6.50%	7.50%	7.50%
SDR	4.25%	4.50%	4.50%	5.50%	5.50%
SLR	8.25%	8.50%	8.50%	9.50%	9.50%
Treasury Bill Rate	7.47%	7.67%	6.95%	9.01%	8.54%
Bond Rate (10 Years)	8.31%	8.32%	11.95%	12.96%	12.90%
NSEASI Returns %	8.60%	10.44%	10.44%	-1.97%	-5.34%
Cons. Deposit Rate	3.44%*	3.75%	3.46%	3.54%	3.52%
Prime Lending Rate	15.74%	15.73%	15.73%	17.55%	17.50%
Maximum Lending Rate	21.86%	21.75%	21.82%	19.95%	20.33%
Inflation Rate (y-o-y) %	11.80%	12.10%	11.10%	12.80%**	12.80%
Official FX rate- N/US\$1	149.17	150.34	150.45	151.52	152.92
Foreign Reserve (US\$b)	32.34	33.12	33.24	33.22	32.84
Oil Production (mb/d)	2.31	2.40	2.39	2.43	2.11
Oil Price (US\$/barrel)	92.46	97.39	104.37	119.04	127.40

* Estimates **as at March 2011

Sources: CBN, FMDA, NBS, NSE

Credit and Interest Rate Environment; CBN to slow down on rates increases to spur lending



The CBN subtly admitted the constraining effect that the use of the interest rate tool may be having on credit creation. It therefore plans to slow down on the increases in the Monetary Policy Rate (MPR) in subsequent Monetary Policy Committee (MPC) meetings this year in order to spur banks' lending.

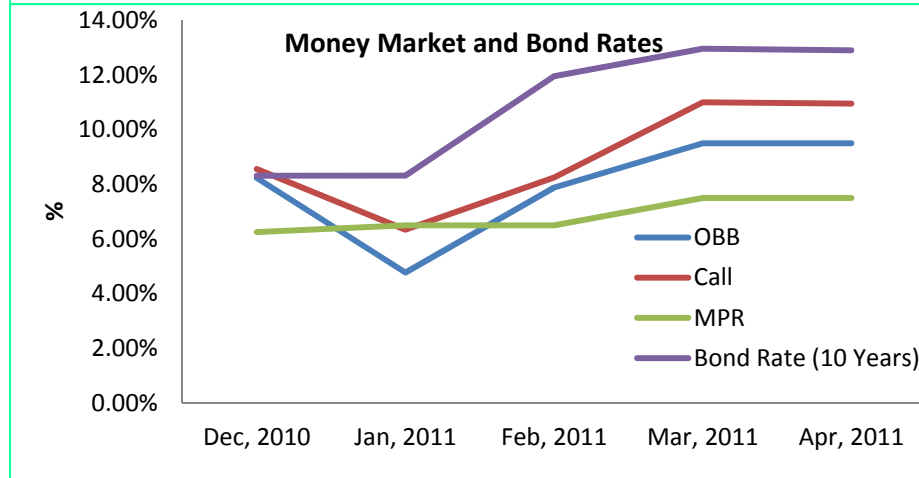
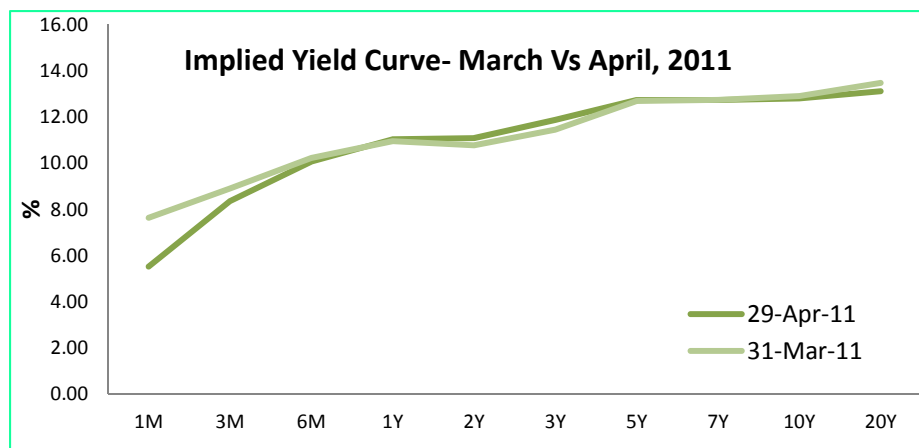
The 100 basis points increase in the MPR and its corridor in March was frontloaded to douse the expected inflationary pressure from electioneering spending, among other liquidity sources.

The short end of the yield curve shifted upward in April indicating increased liquidity surfeit in the money markets. Withdrawal of N147billion via the Treasury bill market/FGN bond market and electioneering spending outweighed the N358billion injection via the FAAC allocation during the month.

Increased withdrawal from the system via the forex market was also a source of pressure on liquidity.

Rates however remained largely unchanged at the longer end of the market.

At the retail end of the market, activities remained low and hence rates were flat. Prime lending and maximum lending rate remained largely unchanged at 17.5% and 20.3% respectively (month-on-month)



CBN Admits Capital Flight as main source of Pressure on the Naira

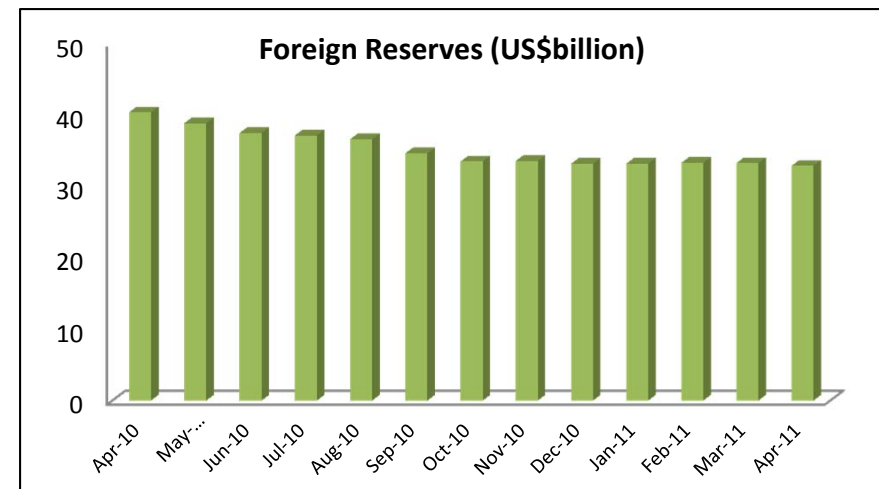
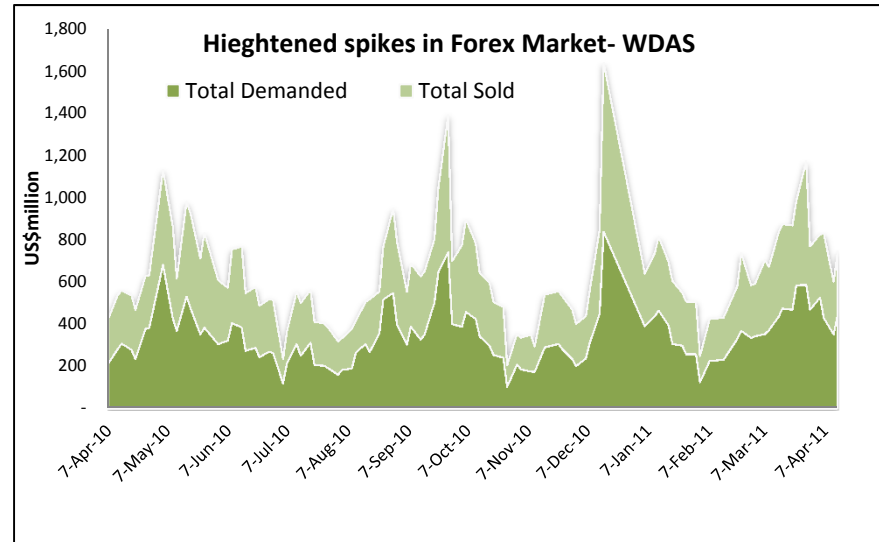


The Central bank of Nigeria (CBN) admitted during the month that substantial capital are leaving the country due to the elections. Business men and corporations are suspected to be stockpiling the Dollar as an hedge against political risk ahead of the Presidential election held on April 16th, 2011.

The pressure on the Naira exchange rate however began to moderate immediately after the election. The year to date (YTD) depreciation of the Naira increased to N2.75/US\$ on April 29 compared to N2.35/US\$ in March. The Interbank and parallel market spreads on the official rates moderated to N1.98/US\$ and N4.08/US\$ compared to N5.99/US\$ and N7.8/US\$ respectively in March. This signifies return of confidence in the investment circle post elections.

The effects of higher cost of imports of refined petroleum products and food items due to higher crude oil price and rising global commodities prices remain major sources of pressure on the exchange rate.

That nation's foreign reserves declined to US\$32.84 billion from US\$33.4 billion in March. Hence the paradox of high oil price and production but declining foreign reserves remains.



..And the Monetary Authority seeks a cashless economy



In the bid to reduce the high usage of cash, moderate the cost of cash management and encourage the use of electronic payment channels, the Central bank of Nigeria (CBN) in collaboration with the Bankers' Committee announced new limits of cash collections from and lodgment into bank accounts.

The new policy pegged the amount of daily cumulative cash deposits and withdrawals with/from banks at N150,000 and N1m for individual and corporate institutions respectively. The policy is expected to be operational from June 1, 2012, allowing room for improvement and standardization in the mobile/electronic payment system and infrastructure in the country.

Any default on the side of the banks shall attract a fine of five (5) times the amount that the bank waives as a first offender. Subsequently, the bank shall pay ten (10) times the charges waived. In addition, all 3rd party cheques above N150,000 can no more be cashed over the counter.

Considering that informal economy is estimated to constitute about 70% of the total transactions in the country, a lot needs to be done to bring transactions in the informal sector into the formal financial system within the next one year when the policy takes effect.

The policy would required expanded network of bank branches and Automated Teller Machine (ATM) as well as POS terminals in every village and market stalls across the country for the policy to work. It would also required that the estimated 62% Nigerian adult without bank accounts have at least one each within the next one year.

..And the Monetary Authority seeks a cashless economy/2



If the financial system fails to achieve these milestones before June 2012, the effect will include:

- ❖ An increase in the size of the informal economy as more people hold cash for transaction rather than keep it in the banks to avoid the penalties
- ❖ Where it becomes unavoidable to use the system and incur the charges, the resultant costs could be passed on to the consumers in the forms of price increases with attendant pressure on inflation.
- ❖ Increased cash economy could fuel rise in criminal stealing and robbery, and hence heightened security situation.

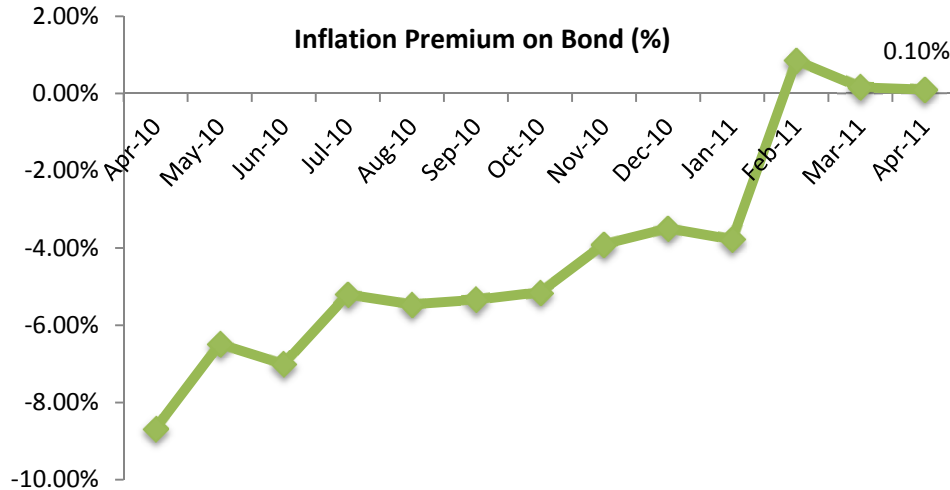
Its success would substantially help reduce transactions costs, both for users, the banks and the regulators. The CBN revealed that it spent about N34billion to print currency notes in 2010. This would be saved when substantial proportion of transactions are cashless.

The banks would also save costs on stationery, teller point personnel and transportations. It could enhance security situation as the cash incentives in robberies are removed.

More importantly the huge shadow economies, made up of informal and criminal activities will be brought within the formal radar.



Bond Market yield sustained shrinking positive real return



The surge in inflation shrank the real return on bond to 0.10% from 1.16% in March. This implies that additional downward pressure on the price of bond is probable in the short term. Investors are expected to require higher yield which would be supported by the likely increase in benchmark rate by the CBN in response to the surge in inflation at its next MPC.

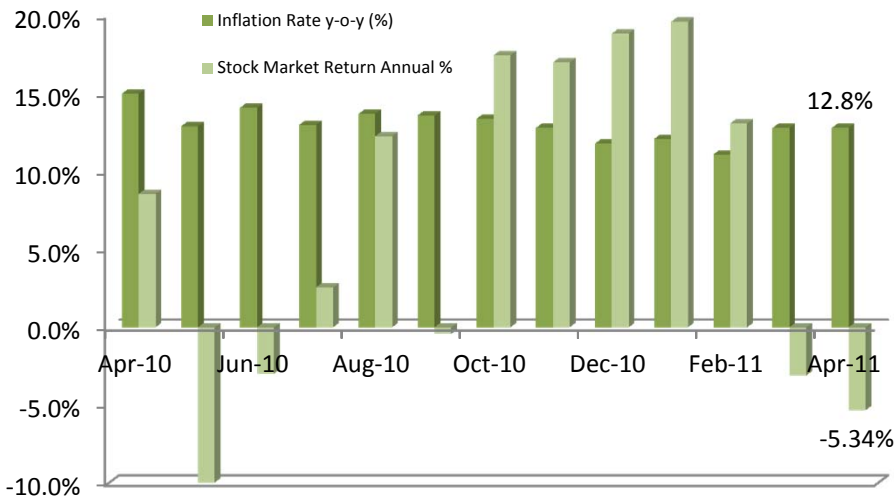
As predicted in the March report, marginal yield on the new issued 3 and 5 years bonds in April jumped to 12.5% and 13.19% from 10.5% and 12.0% respectively in March.

A progressive rise in these yields has been sustained since the beginning of the year. For instance, the re-opened 3yr and 5yr bonds closed at 9.5% and 11.0% in February.

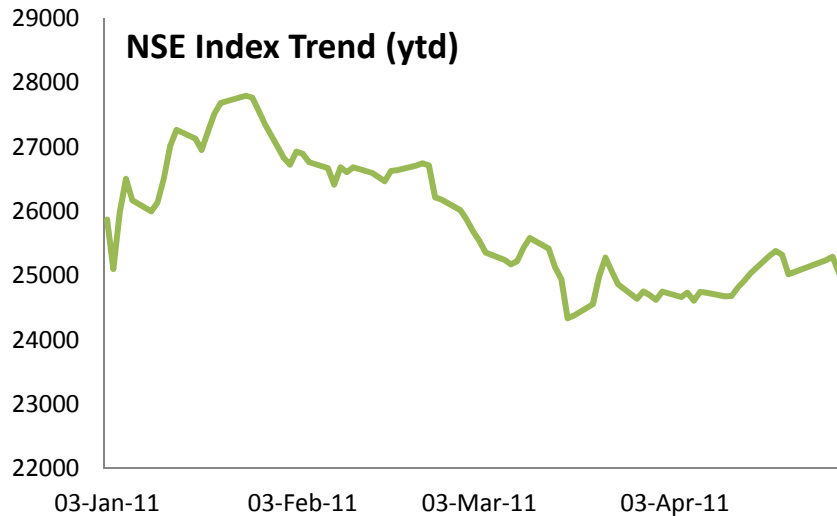
A total of N70 billion was issued in 3 and 5 years bond in April by the DMO.

The Bond market remained positive in return compared to the equities market where the real return on investment remain distantly negative.

Inflation Rate (% y-o-y) Vs Stock Market Returns (%)



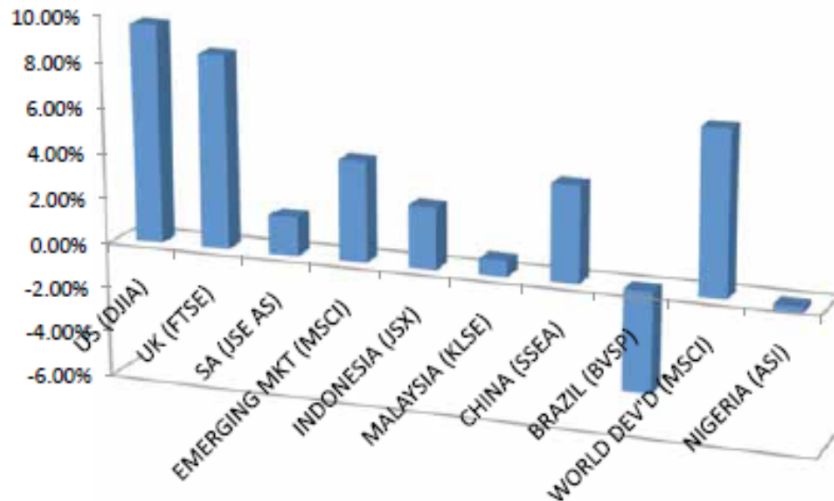
Market notched higher by 1.17% in April- the first positive monthly return in since January



Major Corporate Results in April 2011 in Nm

Company	For	Period Ended	CurrentPAT	PAT Growth	CurrentTO	Turnover Growth
Access Bank	Ist Qtr	31-Mar-11	N4,183.00	4%	N24,361.00	-12.3%
Cadbury	Ist Qtr	31-Mar-11	N211,258.00	-49%	N7,593.00	18.6%
Continental Re	Full Yr	31-Dec-10	N1,230.00	36%	N10,235.00	400.2%
Dangote Sugar	Full Yr	31-Dec-10	N11,282.00	-14%	N89,980.00	9.2%
Ecobank	Ist Qtr	31-Mar-11	N432.00	-60%	N13,480.00	-1.6%
Ecobank	Full Yr	31-Dec-10	N1,619.00	-135%	N58,313.00	-2.6%
FCMB	Ist Qtr	31-Mar-11	N2,662.65	195%	N16,634.70	15.2%
First Bank	Ist Qtr	31-Mar-11	N12,574.00	2%	N63,261.00	1.4%
First Bank	Full Yr	31-Dec-10	N33,411.00	948%	N230,606.00	17.4%
GTBank	Ist Qtr	31-Mar-11	N13,639.00	54%	N46,589.00	5.0%
GT Assurance	Ist Qtr	31-Mar-11	N170,896.00	-55%	N4,349.00	17.3%
GT Assurance	Full Yr	31-Dec-10	N634.64	23%	N7,520.00	39.9%
MOBIL	Full Yr	31-Dec-10	N3,885.00	37%	N58,343.00	-5.9%
P Z	9 Mth	28-Feb-11	N3,892.00	6%	N44,946.00	1.8%
R T Briscoe	Full Yr	31-Dec-10	N151.96	-47%	N15,132.00	-0.7%
Skye Bank	Ist Qtr	31-Mar-11	N3,397.00	51%	N24,721.00	-89.6%
Skye Bank	Full Yr	31-Dec-10	N10,432.00	115811%	N83,979.00	-36.1%
Stanbic IBTC	Ist Qtr	31-Mar-11	N2,585.00	0%	N15,247.00	5.3%
Sterling Bank	Ist Qtr	31-Mar-11	N1,168.00	-8%	N9,100.00	9.7%
Sterling Bank	Full Yr	31-Dec-10	N5,044.00	-156%	N34,341.00	-26.5%
Total	Ist Qtr	31-Mar-11	N1,036.00	-57%	N40,860.00	-90.3%
Total	Full Yr	31-Dec-10	N3,971.00	0%	N160,604.00	-10.1%
U B A	Full Yr	31-Dec-10	N598.00	25079%	N185,180.00	-24.9%
Unity Bank	Ist Qtr	31-Mar-11	N657.44	-91%	N10,311.00	-61.3%
WAPCO	Ist Qtr	31-Mar-10	N1,713.00	-28%	N12,035.00	-9.9%
Zenith Bank	Ist Qtr	31-Mar-11	N15,072.00	59%	N54,257.00	-1.4%

Ytd performance across emerging markets (%)



Source : Economist

As the elections were concluded and risk environment became clearer, the impressive corporate results of major companies released supported market mood.

Year to date however, the performance of the Nigerian market is still below that of other emerging markets.

The New and First CEO of the NSE Resumed- puts deepening the market at the front burner



Mr. Oscar Onyeama resumed as the first Chief Executive Officer (CEO) to pilot the affair of the Nigerian Stock Exchange into its next phase of evolution- a fully demutualised and listed stock exchange.

The most important challenge which was also put on the front burner by the new CEO is how to effectively deepen the market and enhance market liquidity.

He has argued that the listed equities on the NSE are not a true representation of the Nigerian economy since key sectors like telecom, oil and gas and agriculture were not sufficiently represented on the Nigerian bourse and the market needed further deepening and diversification to include these sectors.

The companies in these sectors, especially telecom and oil & gas are giant multinationals with trillions of Dollar in turnover from their operations in Nigeria. Some of them have their parent companies listed on their home exchange and/or have multiple listings on other top Exchanges across the world.

Yet, substantial proportion of the groups' income is earned from Nigeria. In the telecom industry, for instance, MTN Nigeria accounted for 29% of the MTN group's total revenue and 44% of EBITDA in its 2010 financial performance. It has been estimated by Pyramid Research, that the industry earned US\$8.6billion (N1.34trillion) in revenue in 2010.

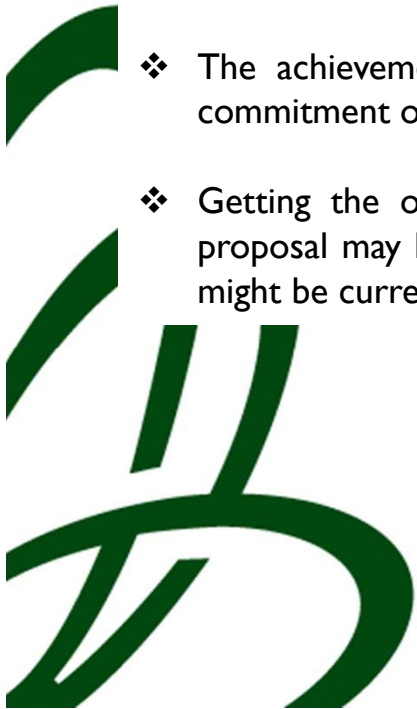
To attract these companies to the market, attention need to be directed at developing enablers, attractive and cost effective platforms for companies to seek listing of their shares.

In the coming months, we expect to begin to see the leadership of the exchange projecting the ideals that will drive this focus.

Budget 2011 - The Government is still alive without one




- ❖ One full month after the expiration of the extended fiscal year in March, the government is still spending money without a budget. The 2011 budget remained unsigned by the presidency in the hope of rationalising the inflated numbers passed into law by the legislators in March.
- ❖ Section 82 of the 1999 Constitution allows the president to make withdrawal from the Consolidated Revenue Fund (CRF) Account for months, in the case of an imbroglio as currently the case, to keep the engine of government running.
- ❖ Such withdrawal can be effected to the tune of the total amount of the approved appropriation of the immediate preceding fiscal year.
- ❖ The achievement of a moderated fiscal regime starting from this budget could be a pointer to the commitment of the administration to fiscal discipline.
- ❖ Getting the outgoing legislators to revise the budget downward in line with the executive's original proposal may however be a difficult task, considering that many of them are not re-elected and therefore might be currently more committed to issues of personal concern rather than that of national interest.




Elections 2011: Governance in the Post Elections

At the National level, the challenges of the continuing administration is speeding up on the key areas of reforms and expectations. These include



- ❖ Power reforms progress to deliver on the milestones of the Power Sector Roadmap
- ❖ Massive investment in infrastructure- roads, rails and aviation especially. Strategic adoption of a private sector driven approach to investment in these projects will redefine the outlook of governance
- ❖ Education, Health and Employment creation
- ❖ Discipline governance



At the State Level, a lot has changed especially in the South West (SW). This may result in coordinated approach to resolving critical infrastructural challenges going by the performance of the Lagos State Government in the current administration. Since they are now from the same party as Lagos State, the new SW administrations should be able to work together to push massive infrastructural and people oriented programs.



Increasing popularity of private sector driven approach to investing in infrastructure and market driven funding of government activities are likely to improve government presence as well as deepens the financial system and the state economies.



Unemployment, commodities prices and capital flow remain key sources of tension to the Global recovery- IMF



- ❖ The recovery of the world economy progressed beyond the much feared double dip recession. The World Economic Outlook (WEO) for April 2011 therefore retained its growth projection for the year at 4.5% a year in both 2011 and 2012
- ❖ The two speed growth expectation however remains; the advanced economies is expected to grow at 2.5% while emerging and developing economies would grow at a higher rate of 6.5%.
- ❖ In most advanced economies output is still far below potential, plagued by high unemployment, depressed housing markets and deteriorated fiscal position. S&P downgraded its outlook on US bonds from stable to negative amidst political imbroglios on reining in deficits.
- ❖ The problems of the European Union periphery, stemming from the combined interactions of low growth, fiscal woes, and financial pressures, are particularly acute. On April 7, Portugal formally requested bailout to join Greece and Ireland.
- ❖ Emerging and developing economies have recovered substantially. Their fiscal and financial positions are now stronger and exports have recovered. The challenge for most of these economies is the growing overheating in the face of closing output gaps and higher capital flows.
- ❖ The IMF recommends a combination of fiscal consolidation and higher interest rates to maintain output at stable levels while adopting macro-prudential tools to avoid increases in systemic risk from inflows.
- ❖ Recent update on the Japanese disaster suggests that its macroeconomic impact is likely to be limited, although uncertainty remains elevated.
- ❖ On the whole the outlook on the world economy remain largely unchanged for 2011 and 2012





Outlook for May and the Rest of 2011

- The emergence of the incumbent as predicted as the winner of the presidential election is expected to immediately douse the hitherto high risk profile of the economy and restore investors confidence. We expect that the on-going reforms of power, financial and infrastructural sectors will pick up appreciable pace.
- The stability of crude oil price at or above the forecast of US\$100 per barrel going forward is expected to support robust government revenue, stable reserves and naira exchange rate and monetary developments. The budget oil price benchmark is US\$65-US\$75 per barrel.
- We expect the effectiveness of monetary tightening to begin to wane going forward, major challenges to monetary expansion is also expected from expansionary fiscal policies . We however expect the CBN to raise rates further, by at least 100 basis points, before the end of the year.
- We expect the full shape of banking industry in terms of the ongoing M&As to unfold in May. This will substantially support the stability of the equities market during the month.
- Monetary and fiscal scenarios painted above, along with the structural nature of inflation in the country suggests that pressures on prices may yet be unabating. In the short term, inflation is expected to remain high. It is a consensus that achieving a single digit inflation rate this year may not be possible.
- We expect a moderation in volatility in the stock market in the short term as the new administrations, both at the NSE level and at government level settles down to pursue much needed and muted changes.
- Globally, the progress of recovery is likely to remain intact and sustained largely by the emerging economies. The adoption of capital control and strict macroprudential measures by these countries at managing damaging effect of capital inflow and inflation could constrain growth potential.



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