



ECONOMIC OUTLOOK FOR 2010



Text of presentation made by
Mr. Bode Augusto
To the business community
Lagos, 19 January 2010

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OUTLINE

- ▶ Review of 2009
- ▶ Global issues
- ▶ The 2010 Budget of the FGN
- ▶ External accounts
- ▶ Money supply, inflation and interest rates
- ▶ Unresolved issues that might have significant impact on the economy
- ▶ Key sectors of the economy
- ▶ The key markets
- ▶ Summary of conclusions

SECTION I

OUR PREDICTIONS AT THE
»
START OF 2009

OUR PREDICTIONS AT THE START OF 2009

► REVENUE & SPENDING OF THE FGN

- Federally collectible revenue will fall by 40% in 2009 largely because of a 50% drop in oil revenues.
- Monies shared at the federation account will reduce from =N= 6.4 trillion to =N= 3.2 trillion unless augmented through distribution of the =N= 2.7 trillion in the “Excess Crude Account”.
- FGN will run a deficit of about 5% of nominal GDP and this will be financed largely by drawing down savings in the “Excess Crude Account”.
- At current oil prices, FGN spending is unsustainable without enhancing revenues through devaluation, tax increases or borrowings from 2010.
- Domestic debt to rise in nominal terms to about =N= 3 trillion or 12% of GDP.

OUR PREDICTIONS AT THE START OF 2009

▶ EXTERNAL SECTOR

- Merchandise exports will fall from US\$ 85 billion to about US\$ 40 billion
- Current account will weaken and may move into deficit if import level does not go down.
- Expect tighter exchange controls as part of initiatives to reduce imports.
- Little activity on the financial account, therefore any deficit on the current account deficit will be funded largely by depleting reserves.
- Import cover will weaken but level will still be satisfactory.
- LCY/USD exchange rate will weaken to reflect weakening current account.

OUR PREDICTIONS AT THE START OF 2009

▶ MONEY SUPPLY, INFLATION & INTEREST RATES

- Growth in money supply should be moderate (15-20%).
- The large growth in money supply in 2008 will continue to fuel inflation in 2009.
- Devaluation will result in imported inflation.
- Increase in government borrowing will put upward pressure on interest rates.
- Inflation will remain high in 2009 (13%-16%).
- Nominal interest rate will Aaa companies borrowing at around 18%.

OUR PREDICTIONS AT THE START OF 2009

▶ BANKING INDUSTRY

◦ CONCERNS

- Some banks have bet on their shares and lost money.
- Some banks have lent money to their customers to bet on the NSE and they are yet to book write-offs attributable.
- A number of banks are growing aggressively and we wonder if they can manage the rapid growth.
- Foreign correspondents may fail and if not bailed out may result in significant losses.
- Some banks are “cooking” their books.

OUR PREDICTIONS AT THE START OF 2009

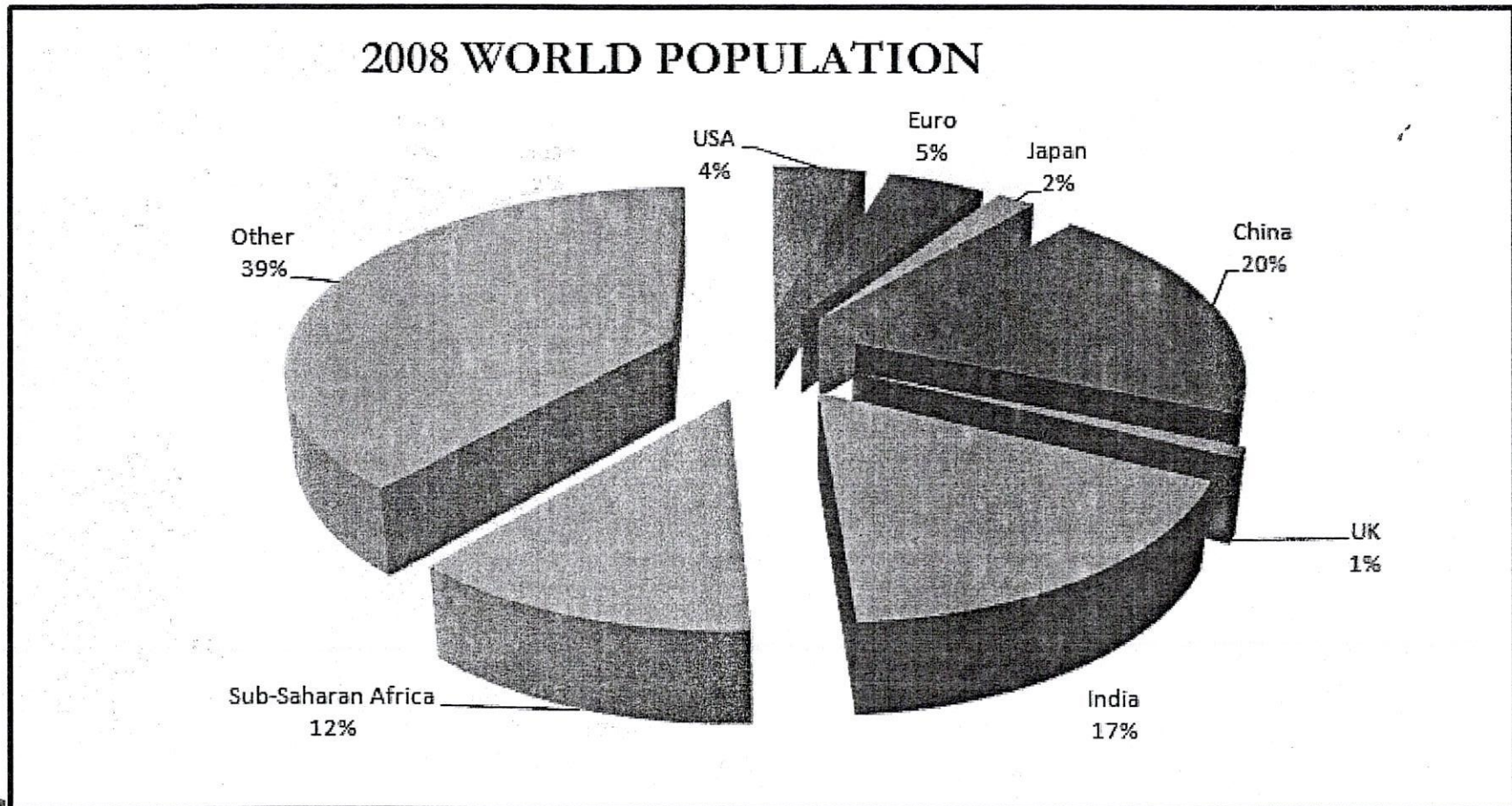
- ▶ 2009 will be the most challenging year since the upswing in the economy started in 2004.

SECTION II



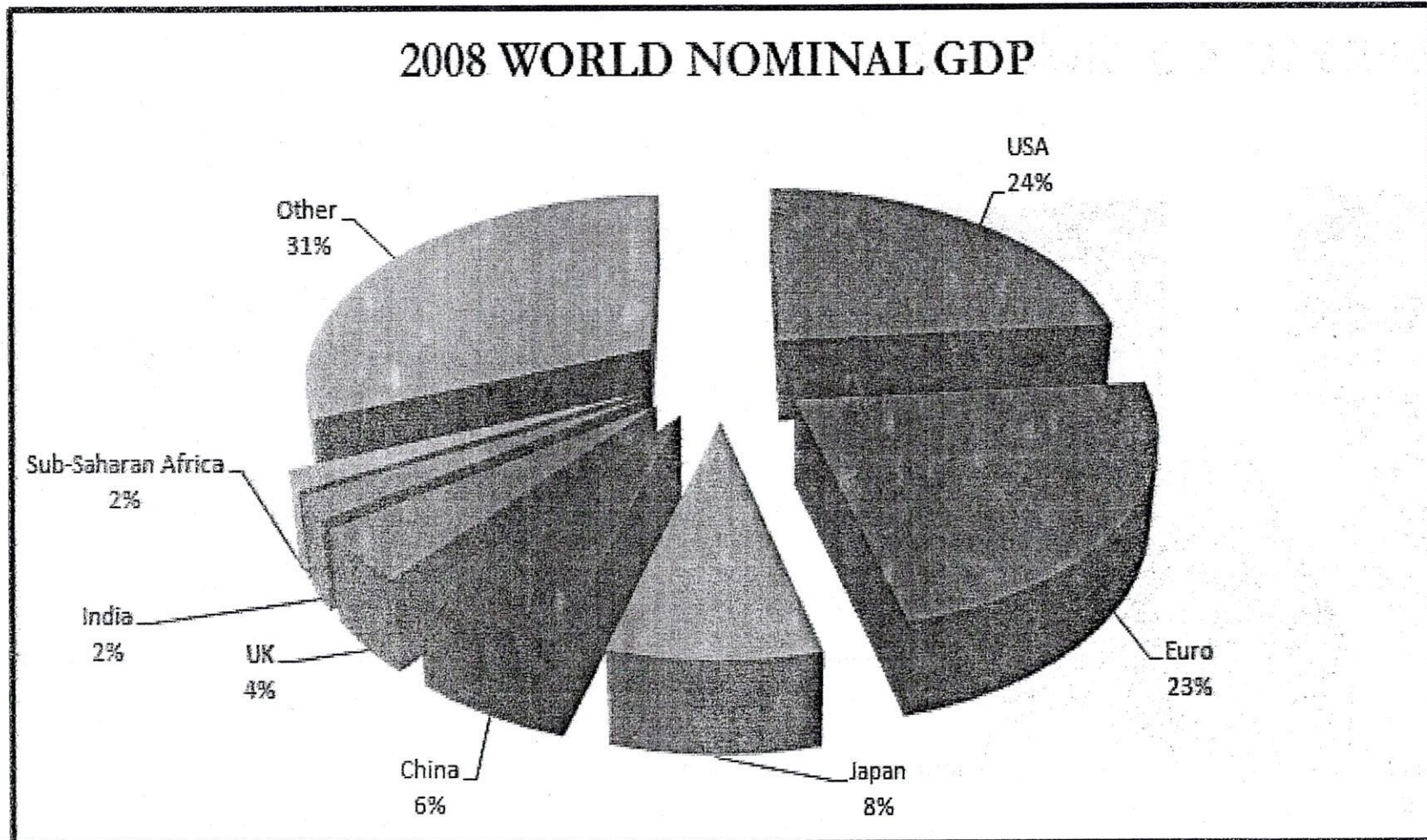
GLOBAL ISSUES

GLOBAL ISSUES



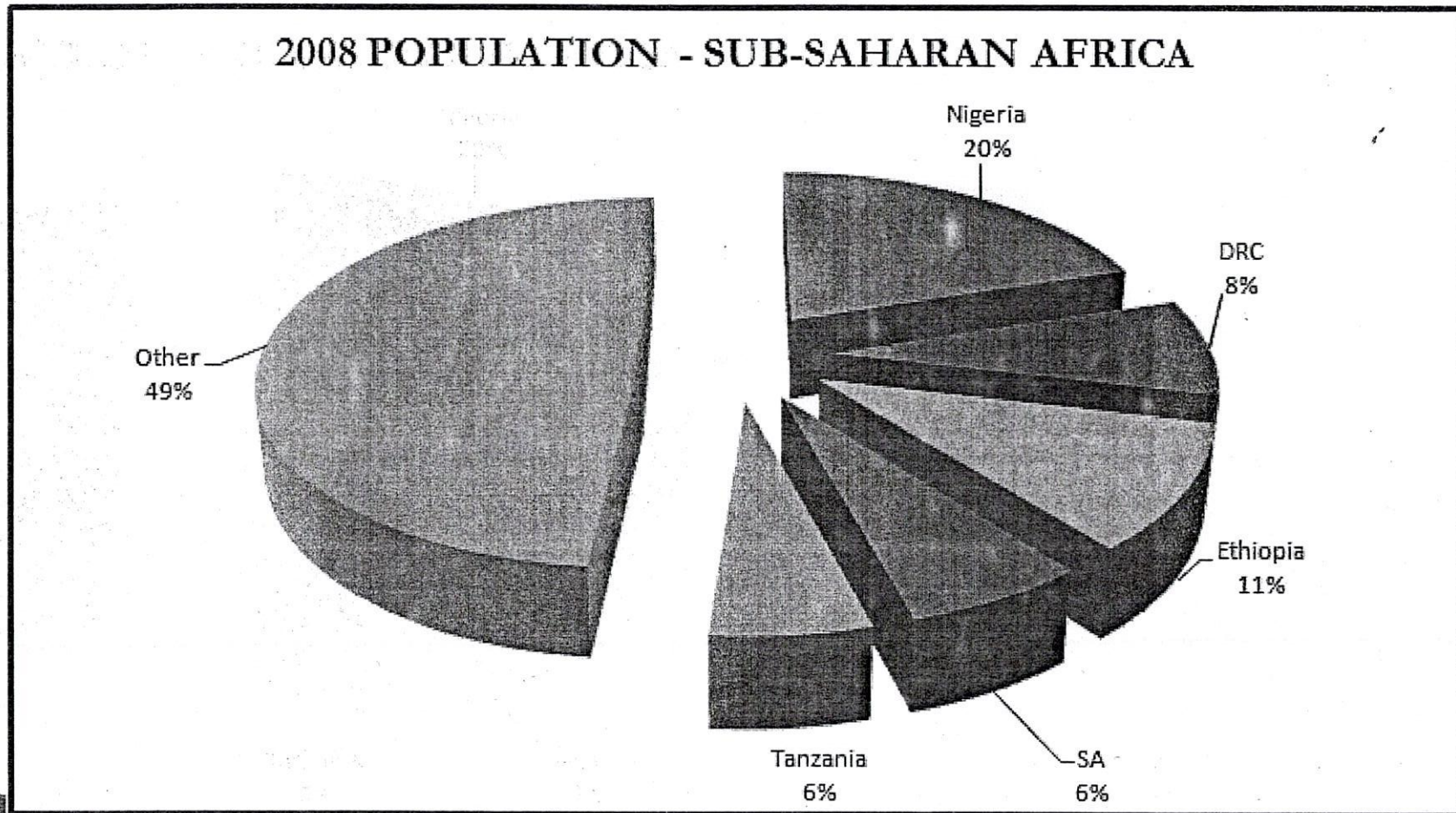
Source: World Bank

GLOBAL ISSUES



Source: World Bank

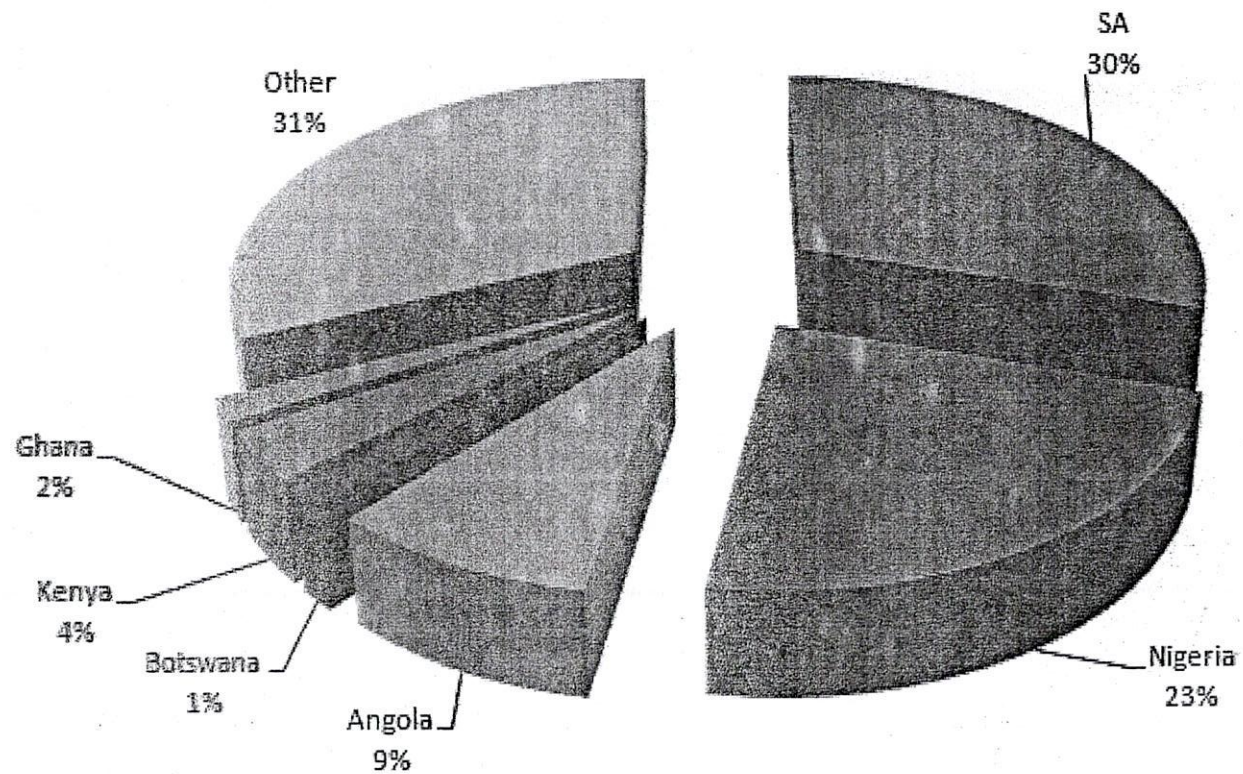
GLOBAL ISSUES



Source: World Bank

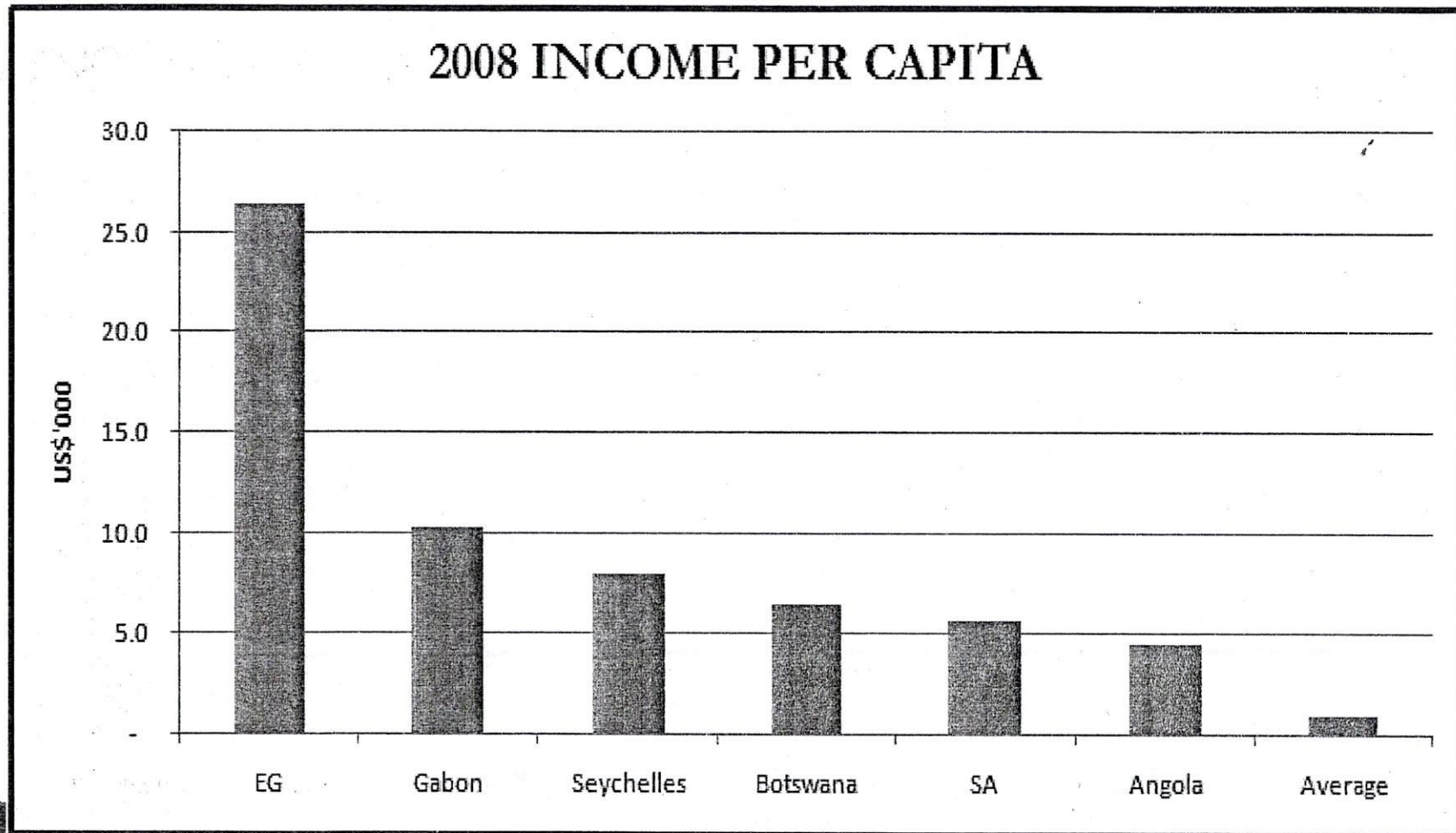
GLOBAL ISSUES

2008 NOMINAL GDP - SUB-SAHARAN AFRICA



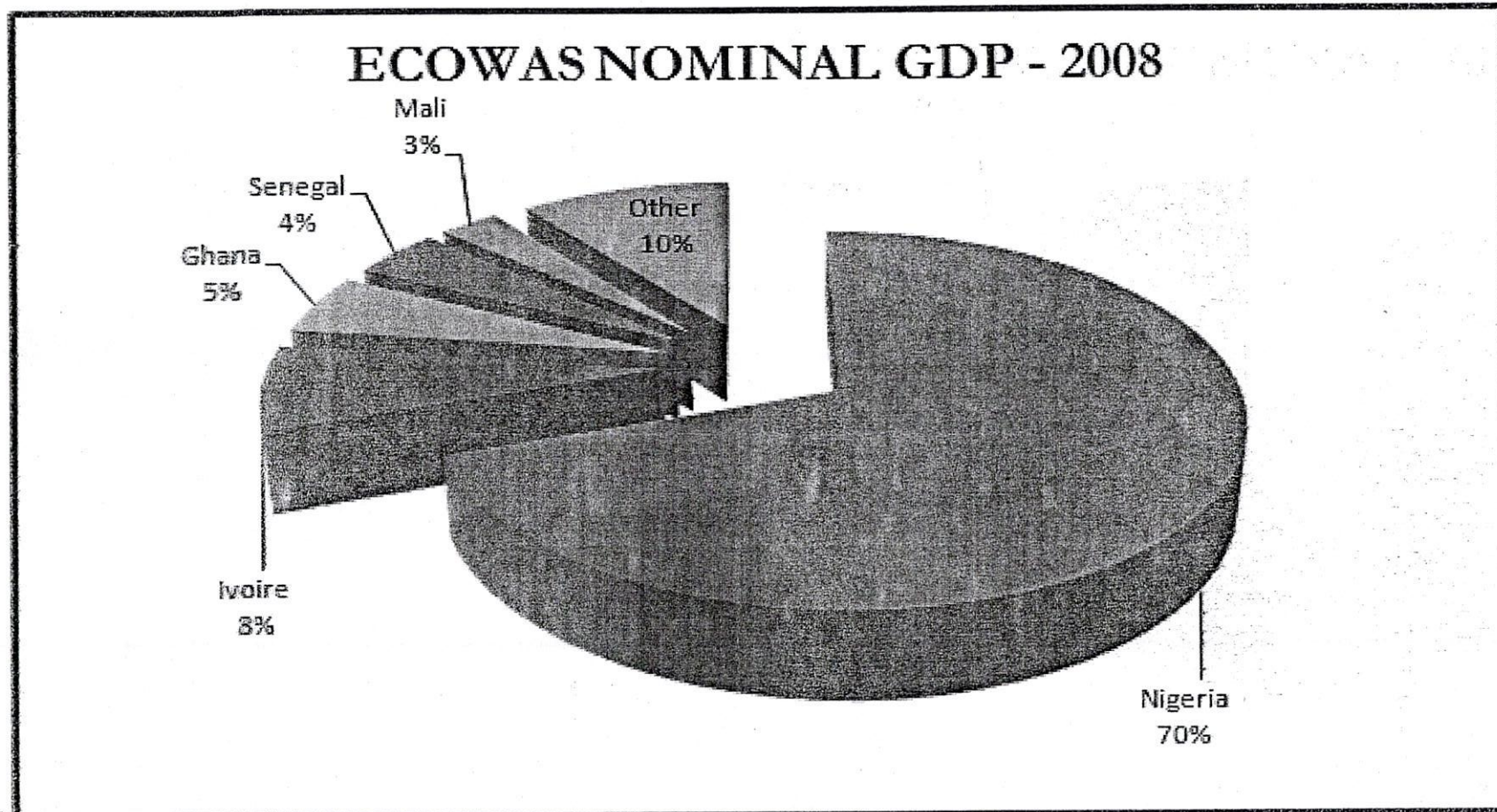
Sources: World Bank

GLOBAL ISSUES



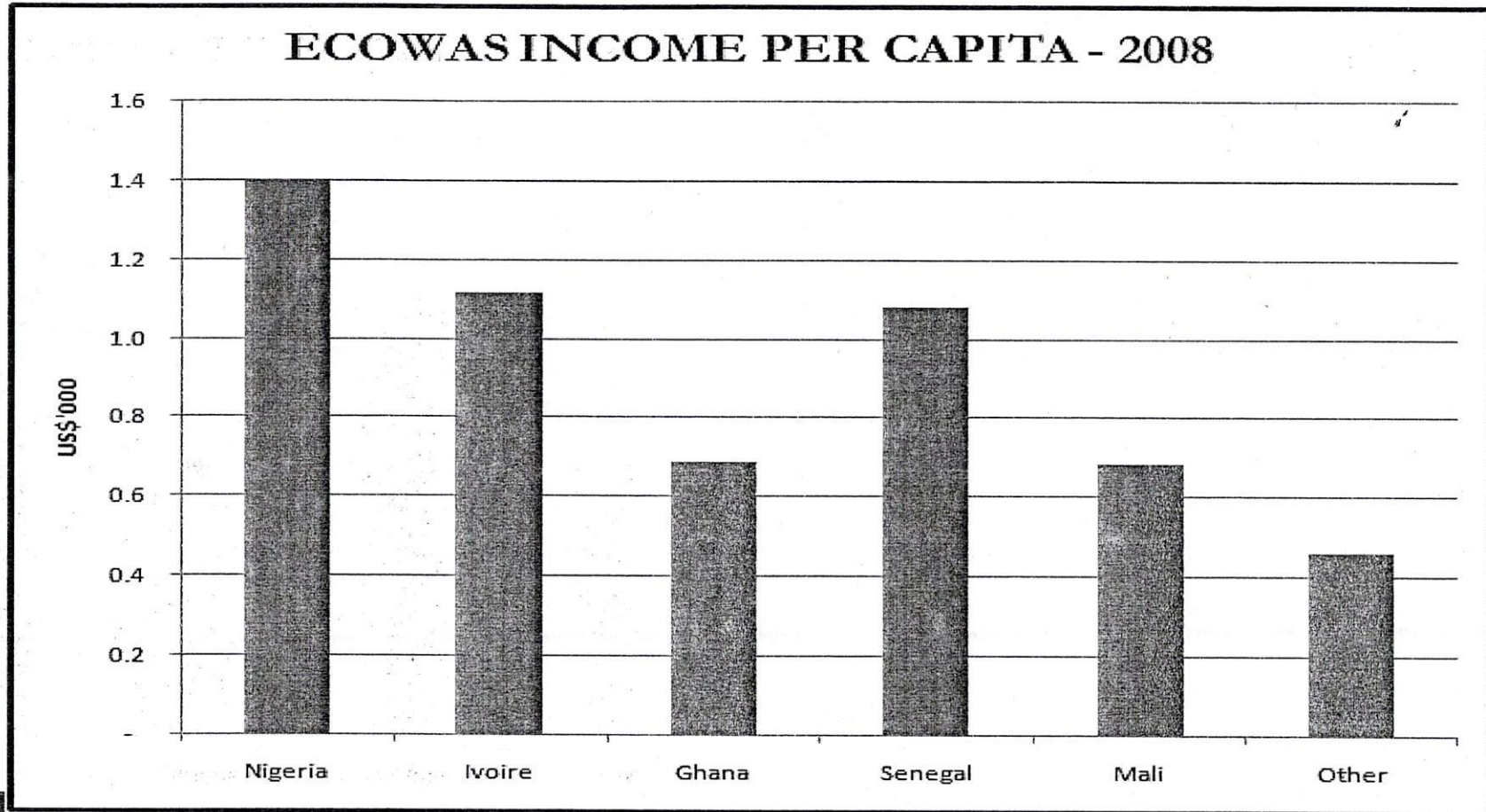
Source: World Bank

GLOBAL ISSUES



Source: World Bank

GLOBAL ISSUES



Source: World Bank

GLOBAL ISSUES

- ▶ The World will come out of recession but recovery will be weak.
- ▶ Bail-outs and stimulus packages have sent budget deficits soaring and fiscal policy will remain a mess.
- ▶ America, Japan and Britain will have budget deficits in the region of 10% of GDP.
- ▶ Governments that have large fiscal deficits and high debt to GDP ratios may borrow at higher rates and see their currencies devalue.

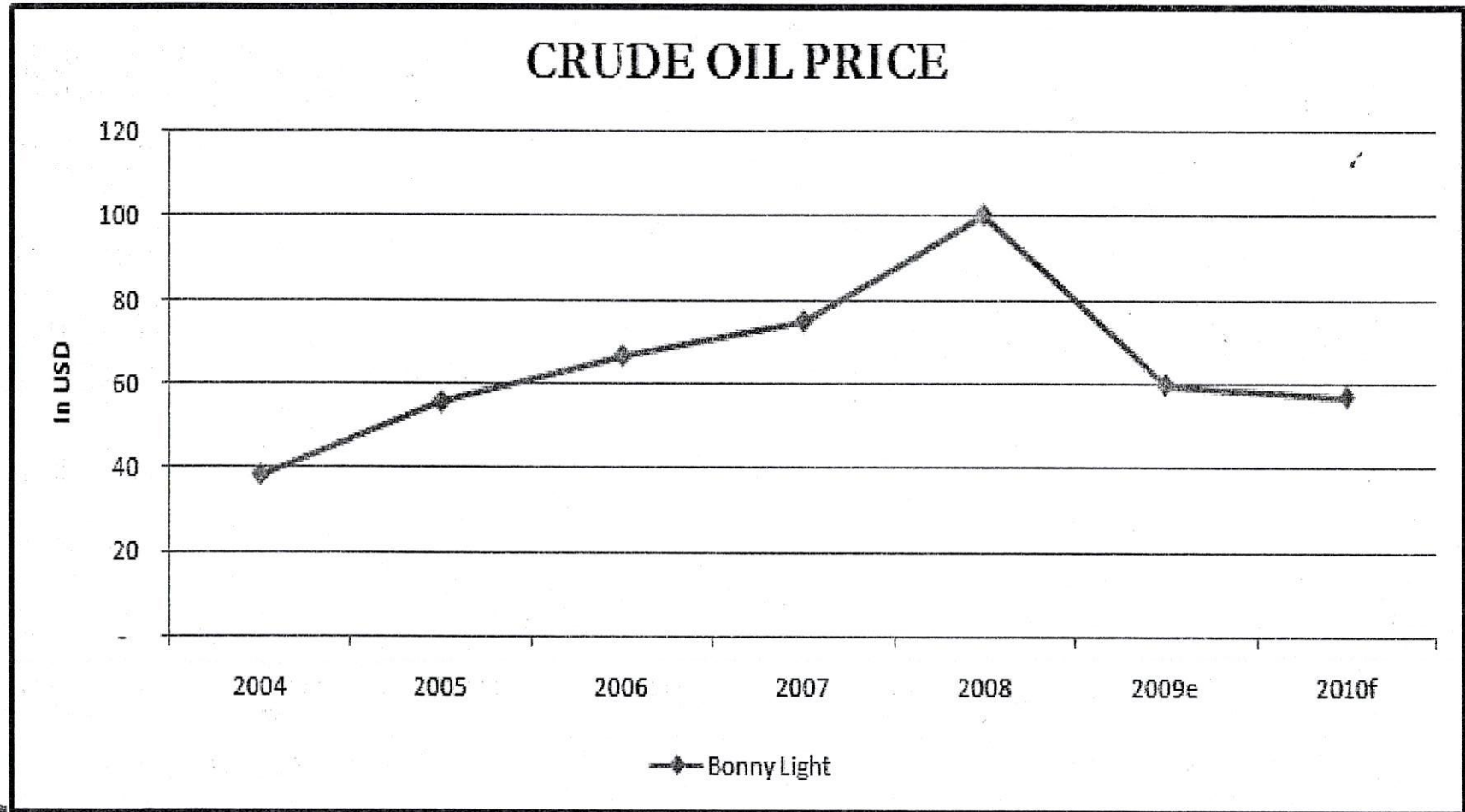
GLOBAL ISSUES

- ▶ China may overtake Japan and become the second largest economy in the world.
- ▶ Corporate profits will rebound.
- ▶ Oil price will average between US\$ 60 and 75 per barrel but some OPEC members will cheat and this may bring price nearer US\$ 60 per barrel.
- ▶ New discoveries along the coast of West Africa will be considered interesting and will therefore attract investment.

SECTION III

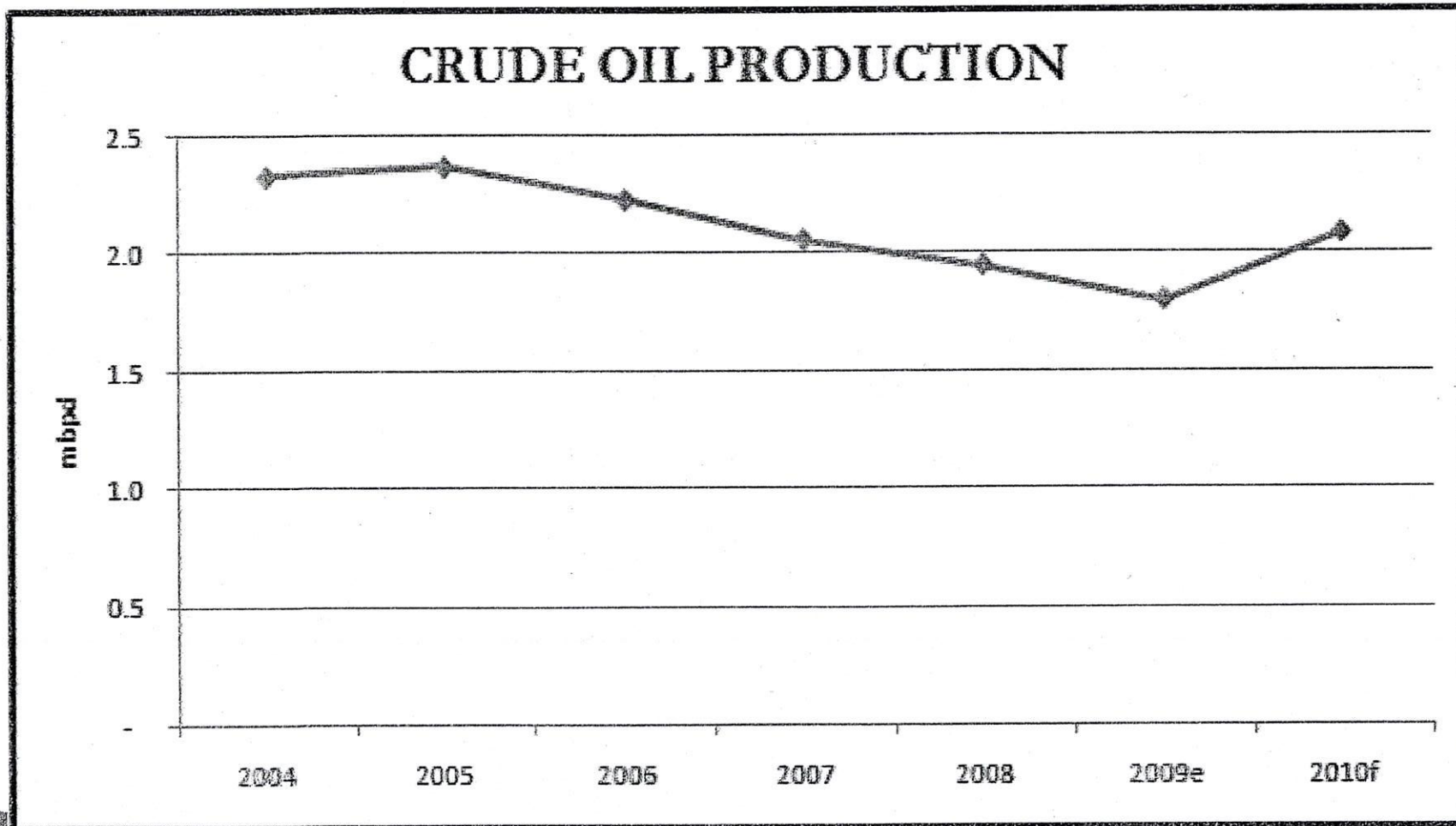
THE 2010 BUDGET OF THE FGN

THE 2010 BUDGET OF THE FGN



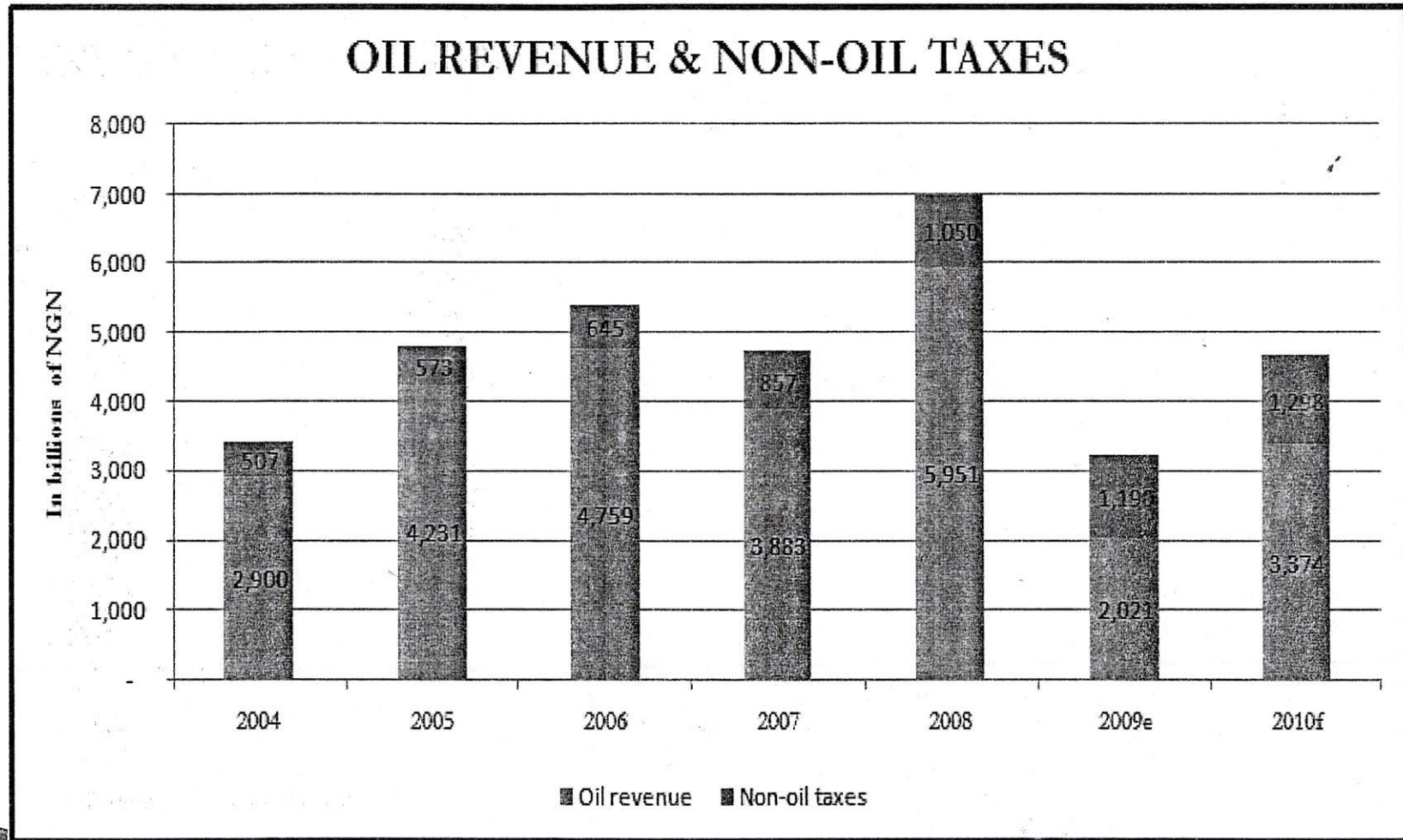
Sources: OPEC and FGN's MTEF

THE 2010 BUDGET OF THE FGN



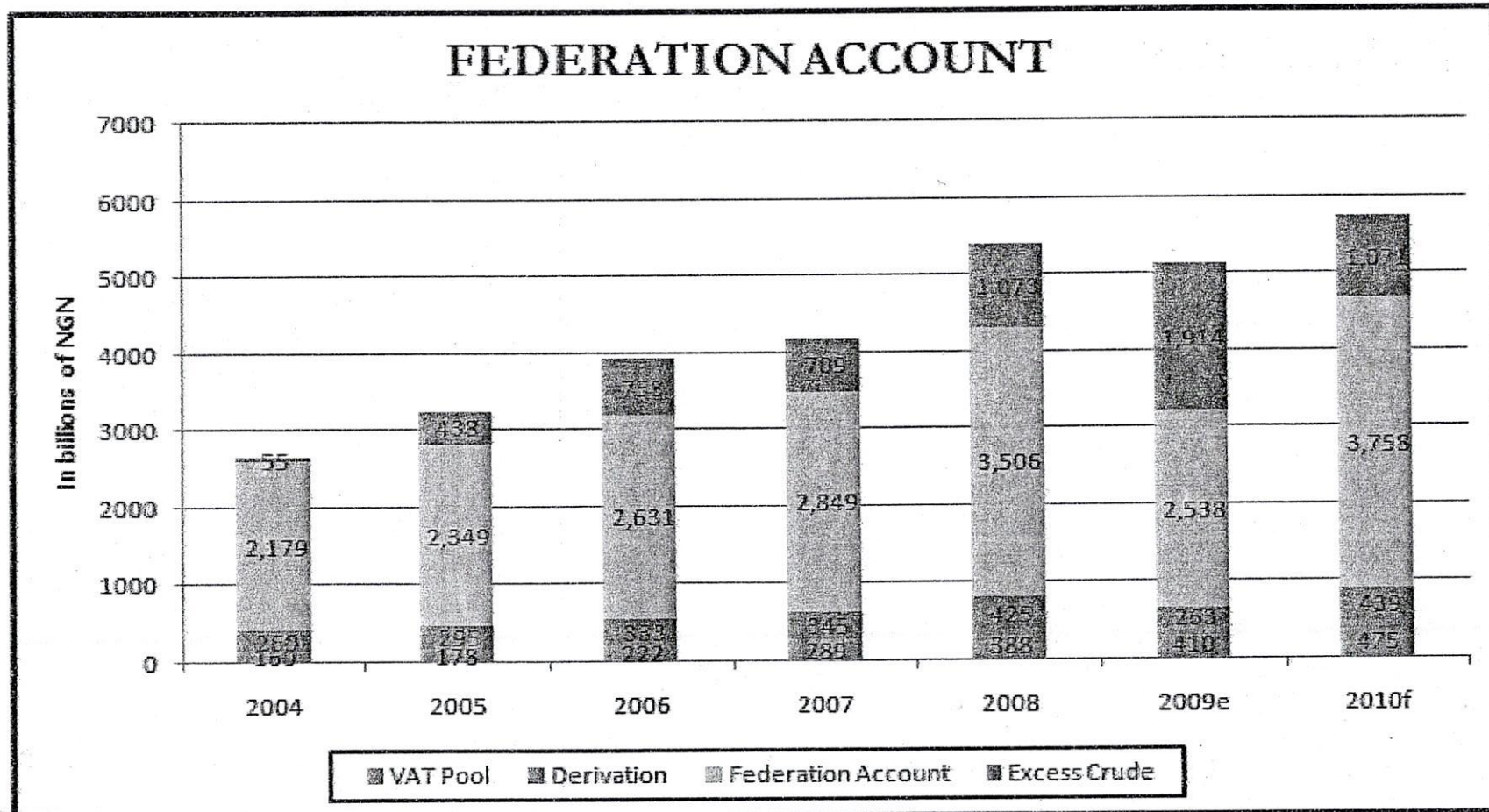
Sources: OPEC & ... forecast

THE 2010 BUDGET OF THE FGN



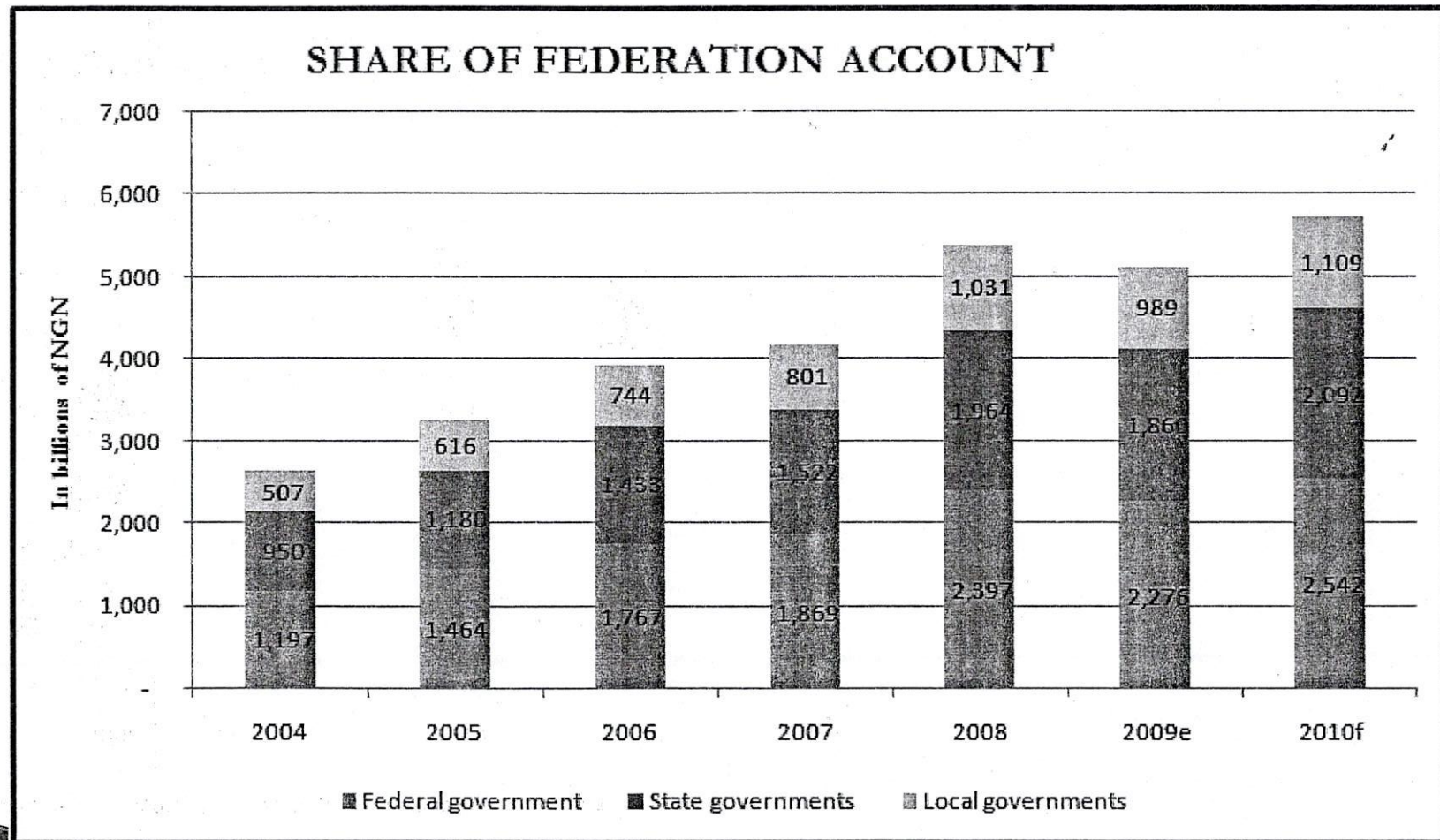
Sources: FMI & CBN

THE 2010 BUDGET OF THE FGN



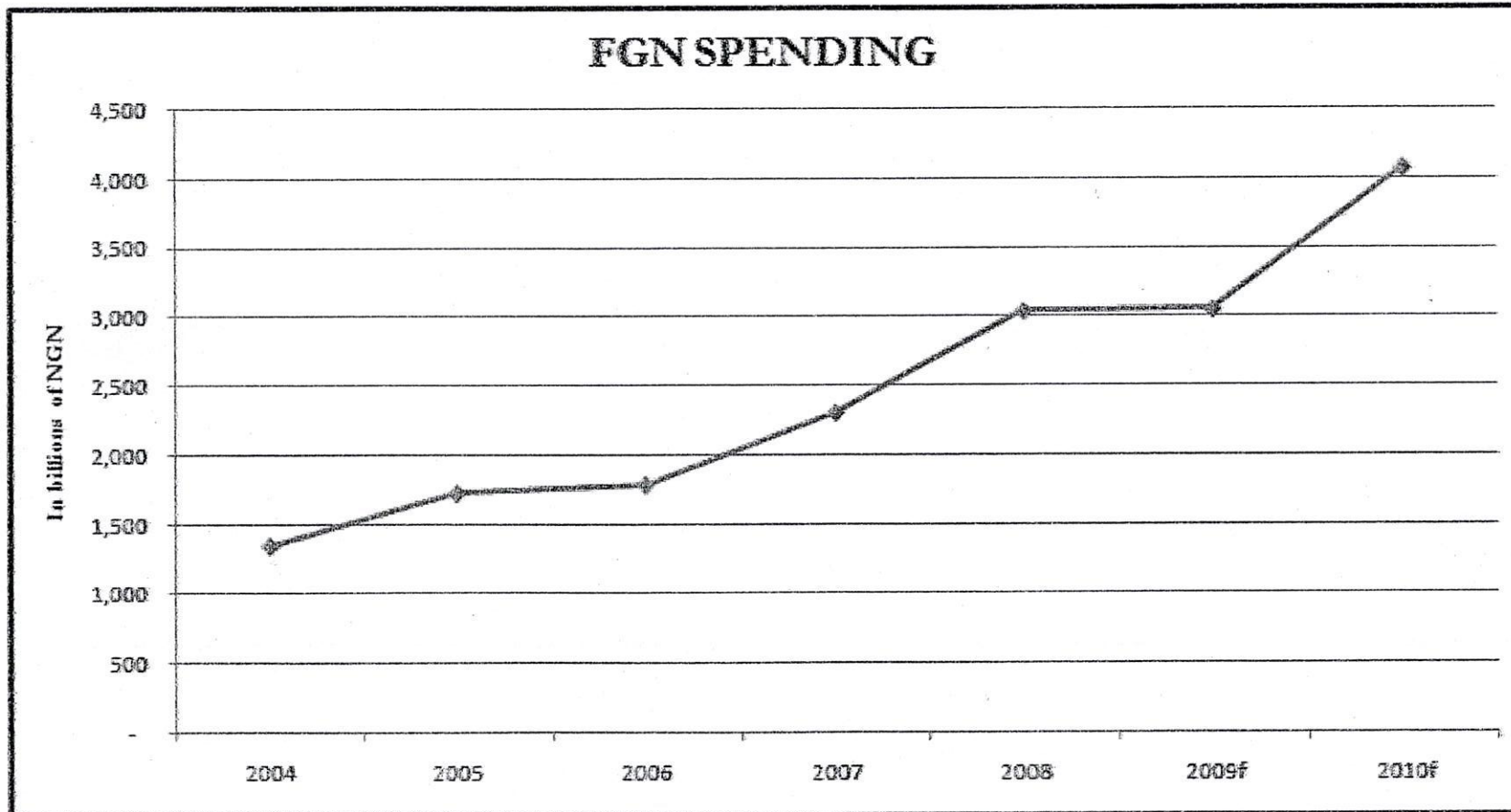
Sources: FMF & Cbr

THE 2010 BUDGET OF THE FGN



Sources: FMF & Cbr

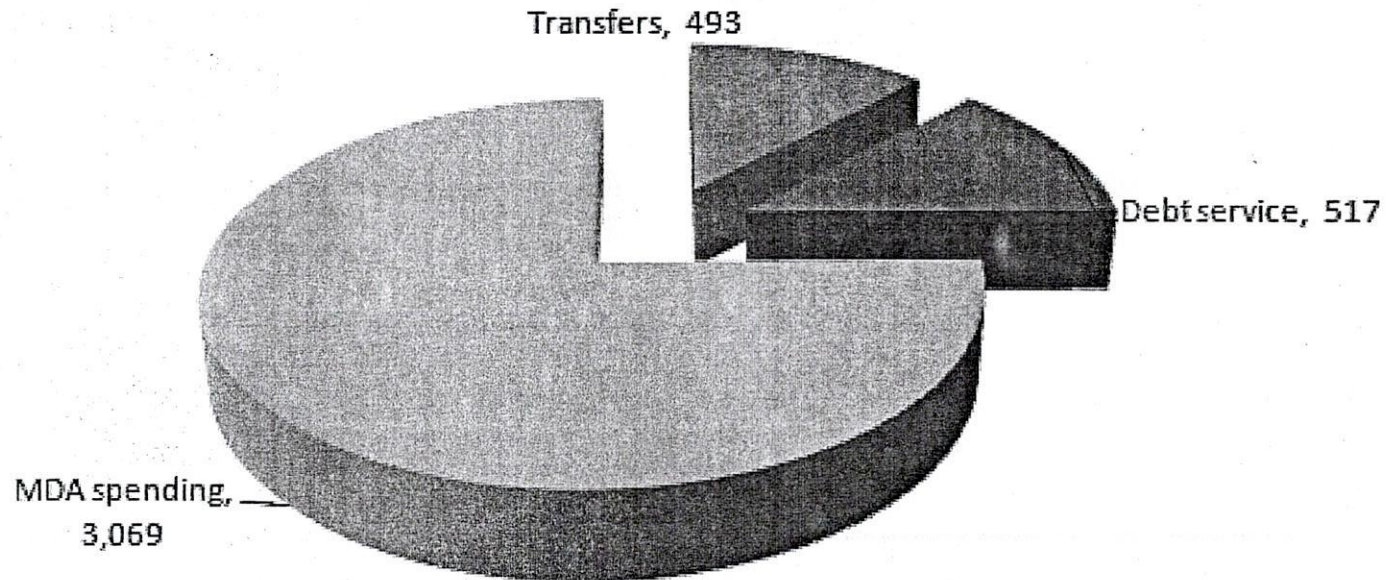
THE 2010 BUDGET OF THE FGN



Sources: FMF and 2010 Budget

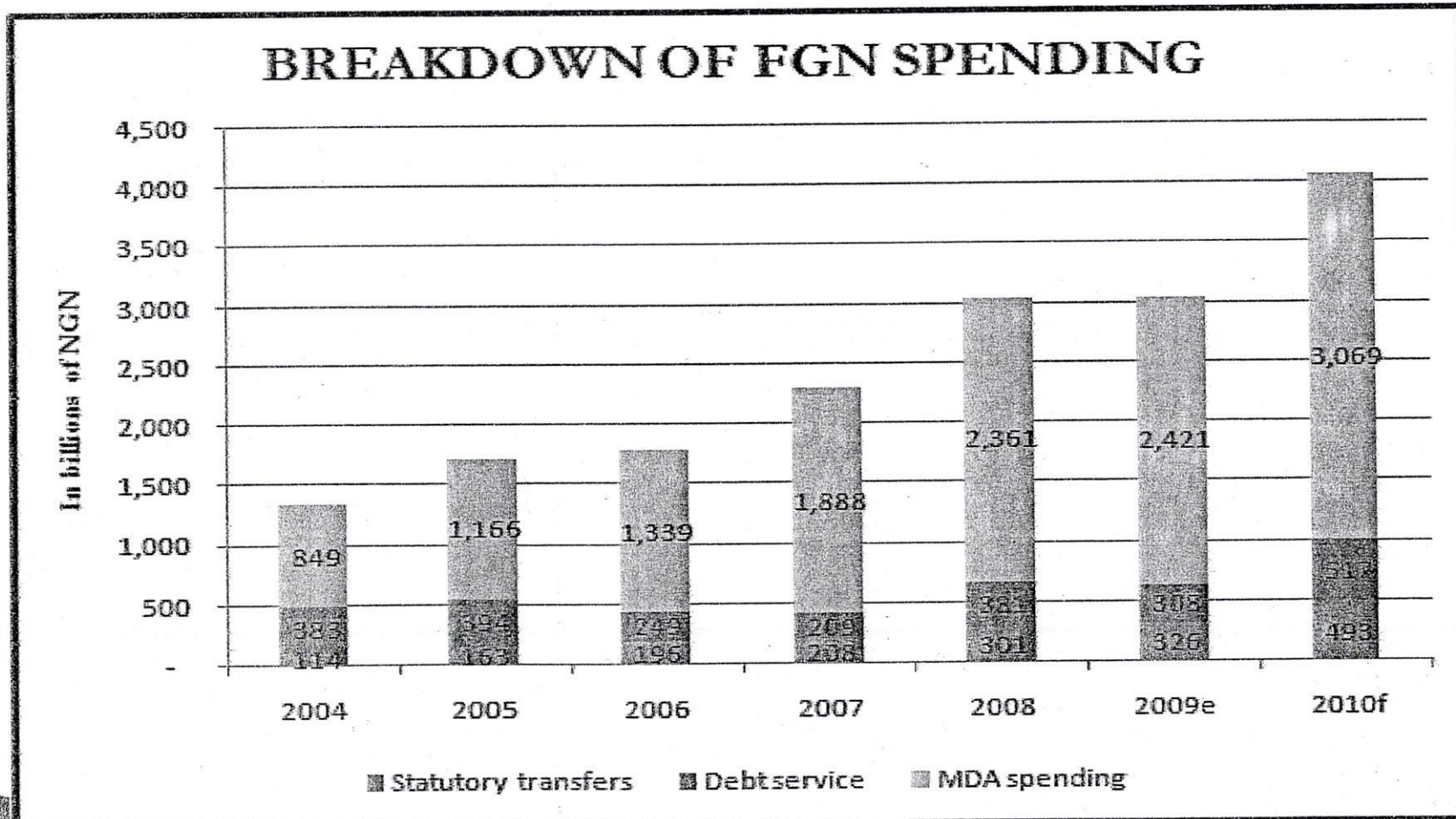
THE 2010 BUDGET OF THE FGN

BREAK DOWN OF GOVERNMENT SPENDING (in billions of Naira)

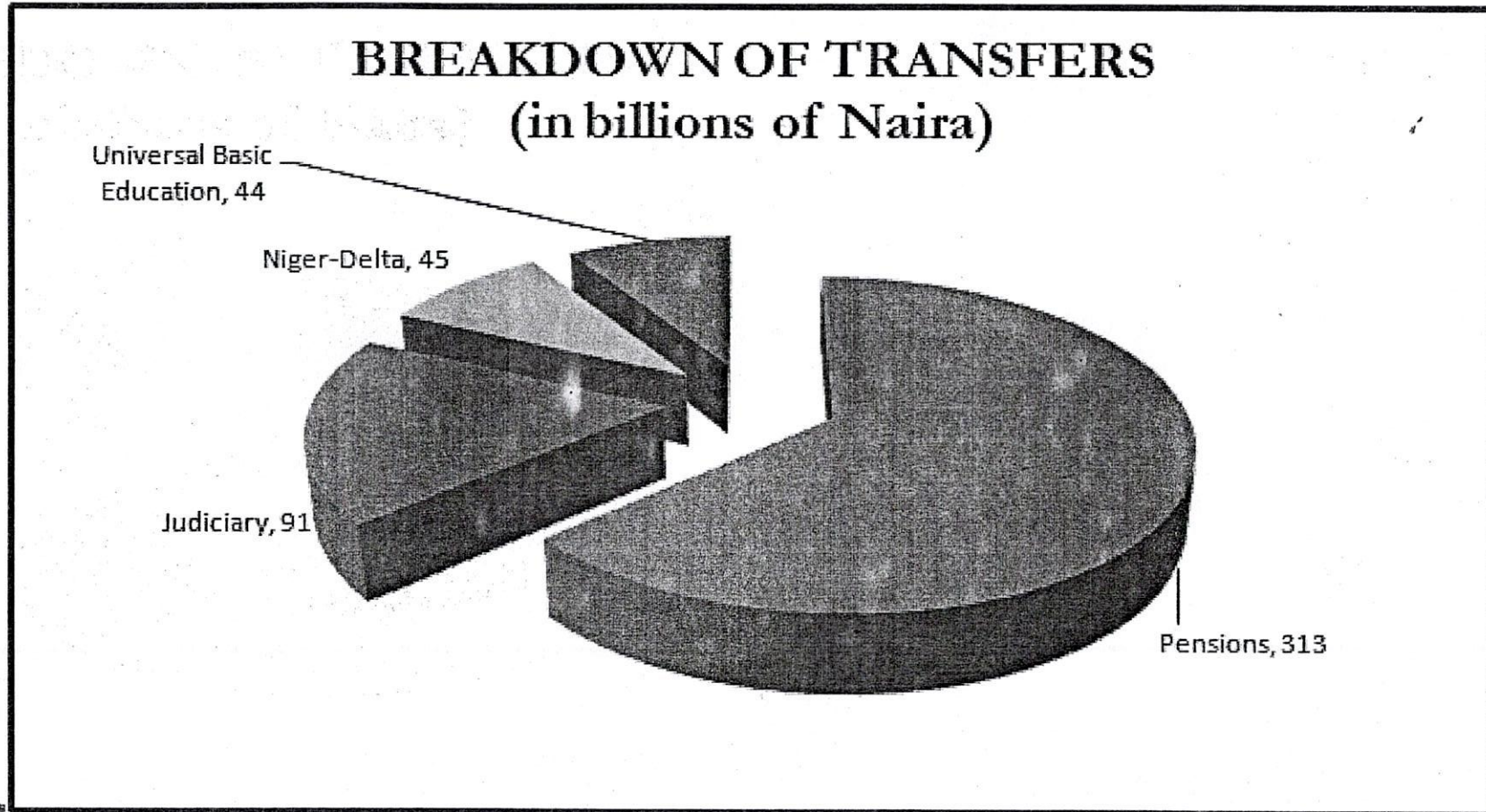


Source : 2010
Budget

THE 2010 BUDGET OF THE FGN



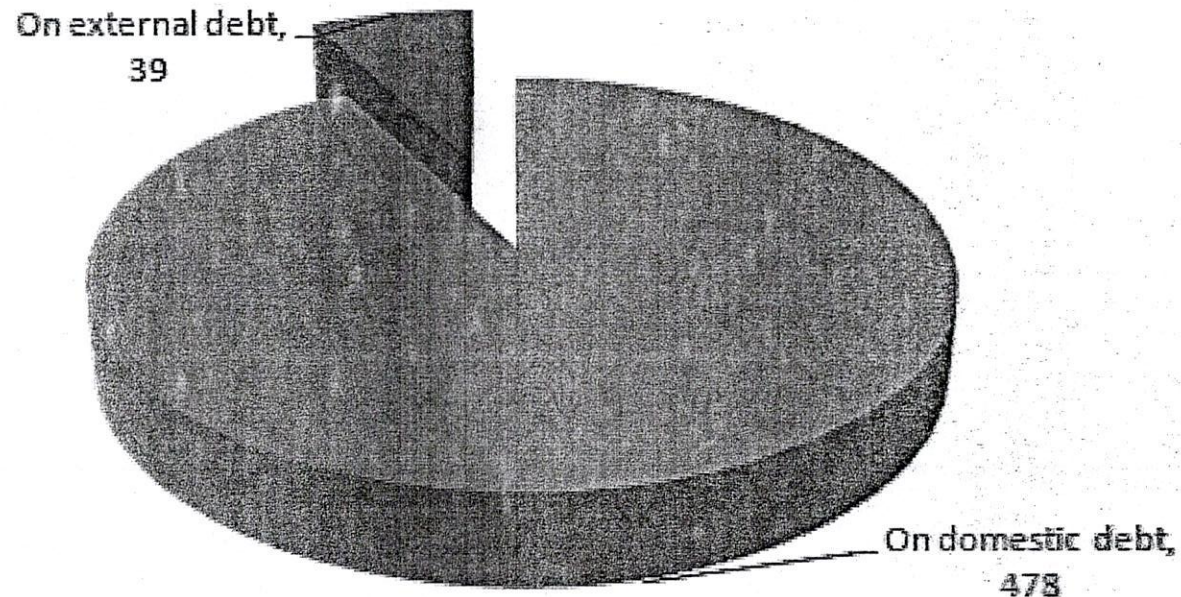
THE 2010 BUDGET OF THE FGN



Source: 2010 Budget

THE 2010 BUDGET OF THE FGN

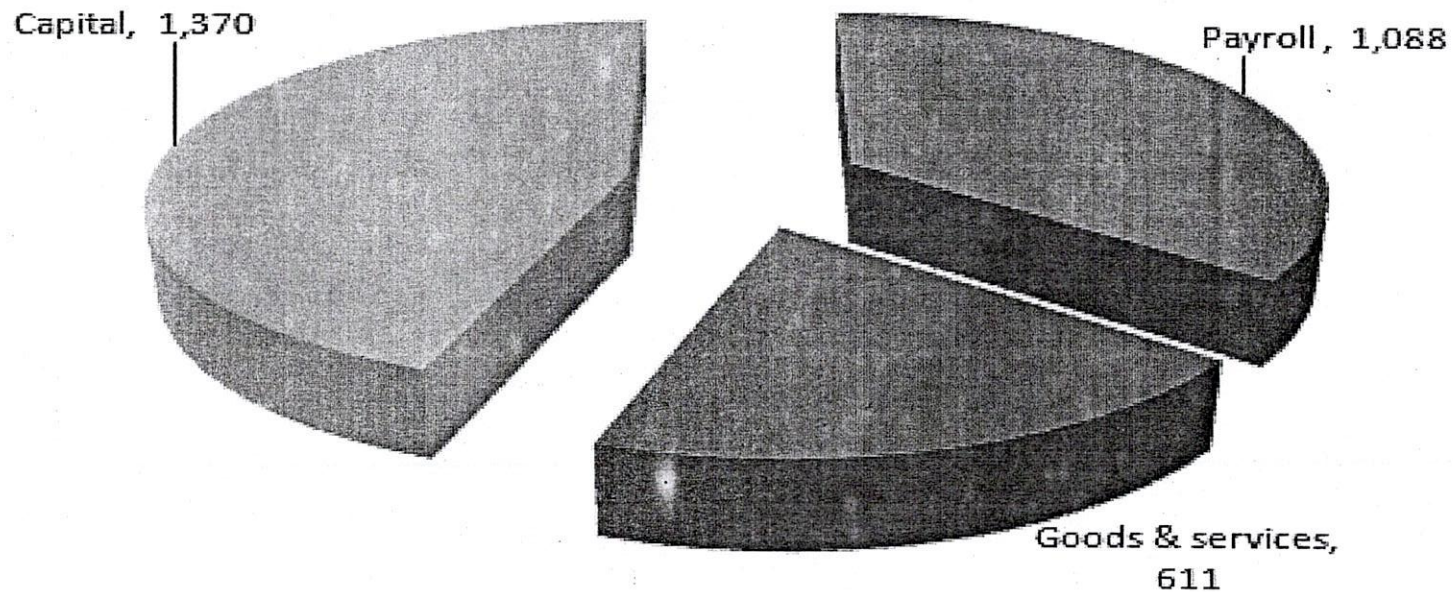
BREAKDOWN OF INTEREST PAYMENTS (in billions of Naira)



Source: 2010 Budget

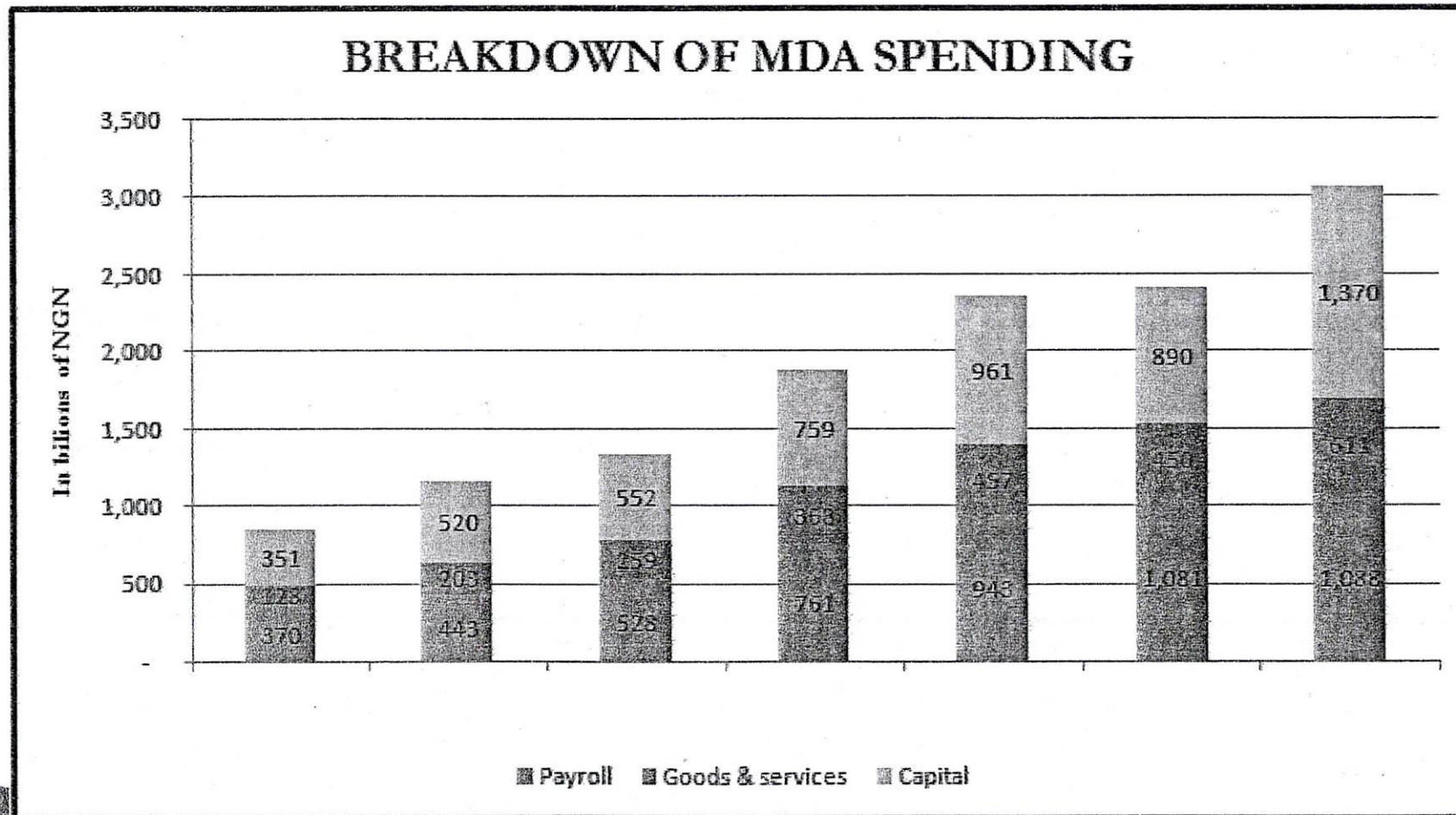
THE 2010 BUDGET OF THE FGN

BREAKDOWN OF MDA SPENDING (in billions of Naira)



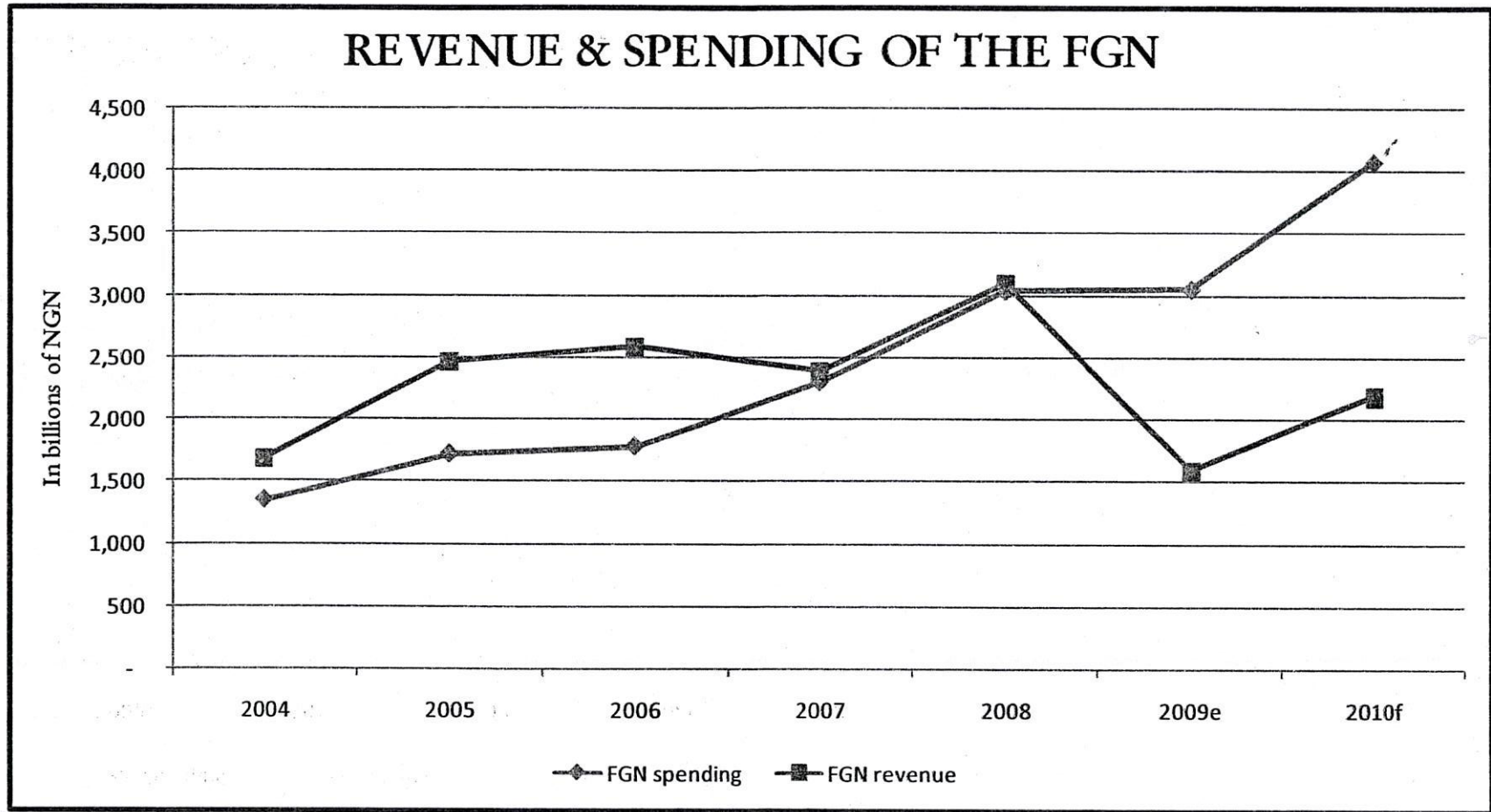
Source: 2010 Budget

THE 2010 BUDGET OF THE FGN



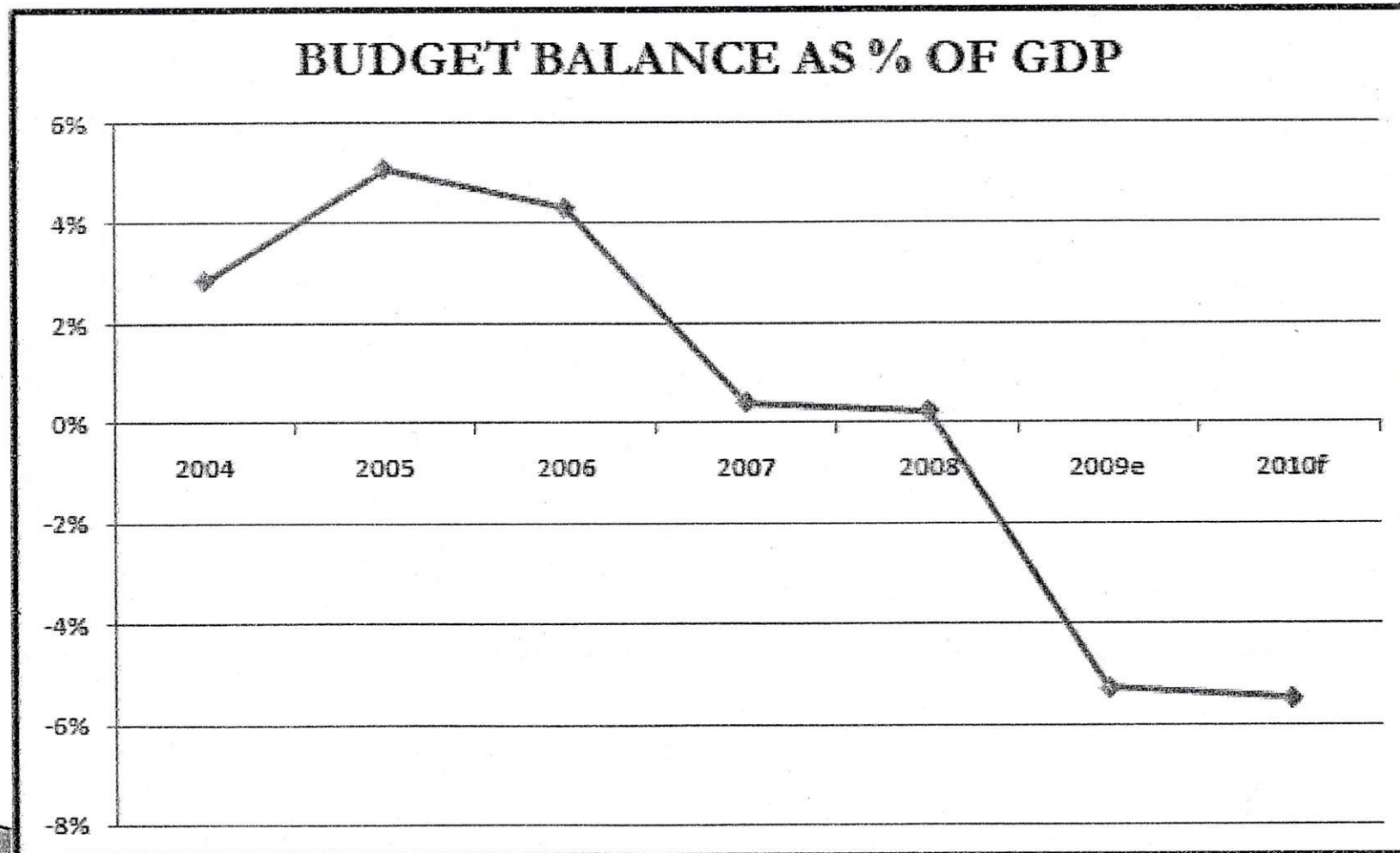
Sources: FMF & 2010 Budget

THE 2010 BUDGET OF THE FGN



Sources: FMF and 2010 Budget

THE 2010 BUDGET OF THE FGN



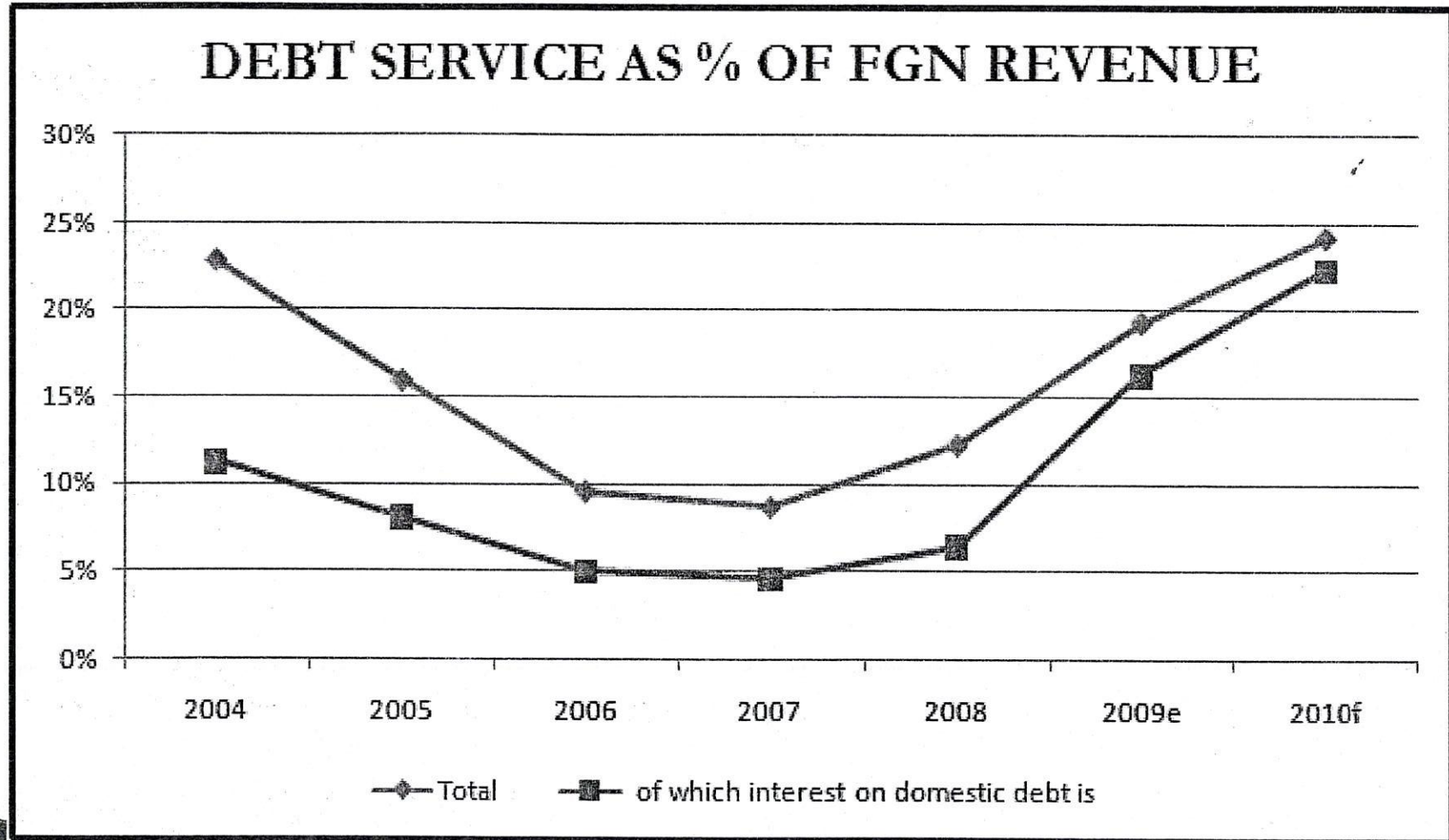
Sources: FMF and our estimates for 2010

THE 2010 BUDGET OF THE FGN

FINANCING THE 2010 DEFICIT	2009e	2010f
	=N= bns	=N= bns
REVENUE	1,594	2,189
SPENDING	3,055	4,079
SURPLUS (DEFICIT)	(1,461)	(1,890)
<i>FINANCING SOURCES</i>		
Signature bonuses	-	39
Privatization proceeds	-	-
PPP initiatives	-	-
Domestic borrowing	583	1,323
External borrowing	-	75
Excess crude	877	452
TOTAL	1,460	1,889
<i>Financing surplus (gap)</i>	(0)	(0)

Source: Our estimates

THE 2010 BUDGET OF THE FGN



Sources: FMF and 2010 Budget

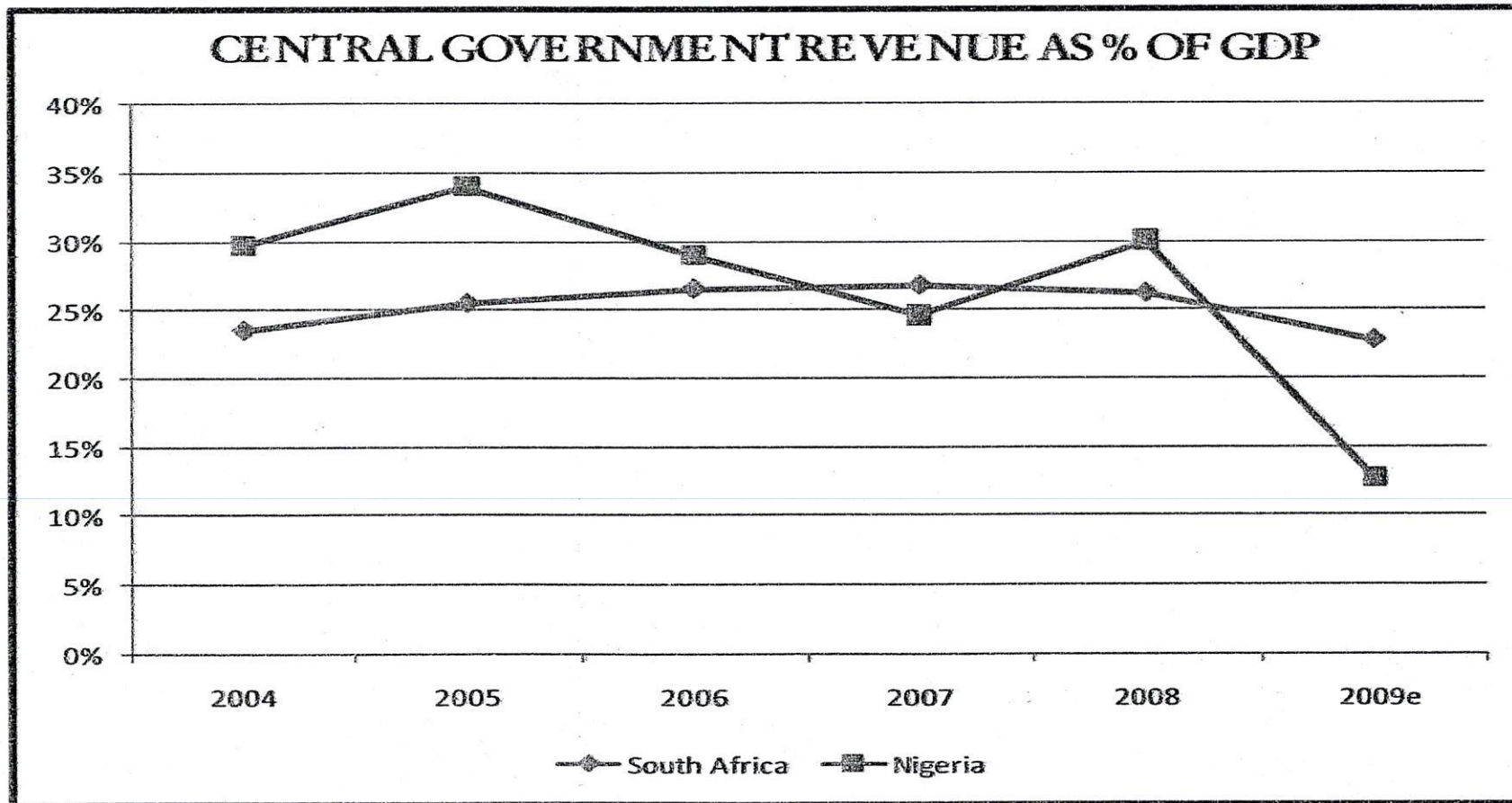
THE 2010 BUDGET OF THE FGN

- ▶ The planned deficit for 2010 is about US\$ 12 billion, the biggest since 1999.
- ▶ Balance on the excess crude account (government savings) at the end of December 2009 was US\$ 6.8 billion. FGN share of this will be about US\$ 3.2 billion and we believe that this will be exhausted within the first four months of 2010.
- ▶ We estimate that about US\$ 500 million could be raised from signature bonuses and FGN share will be about US\$ 220 million.
- ▶ The FGN also plans to issue foreign bonds of US\$ 500 million.

THE 2010 BUDGET OF THE FGN

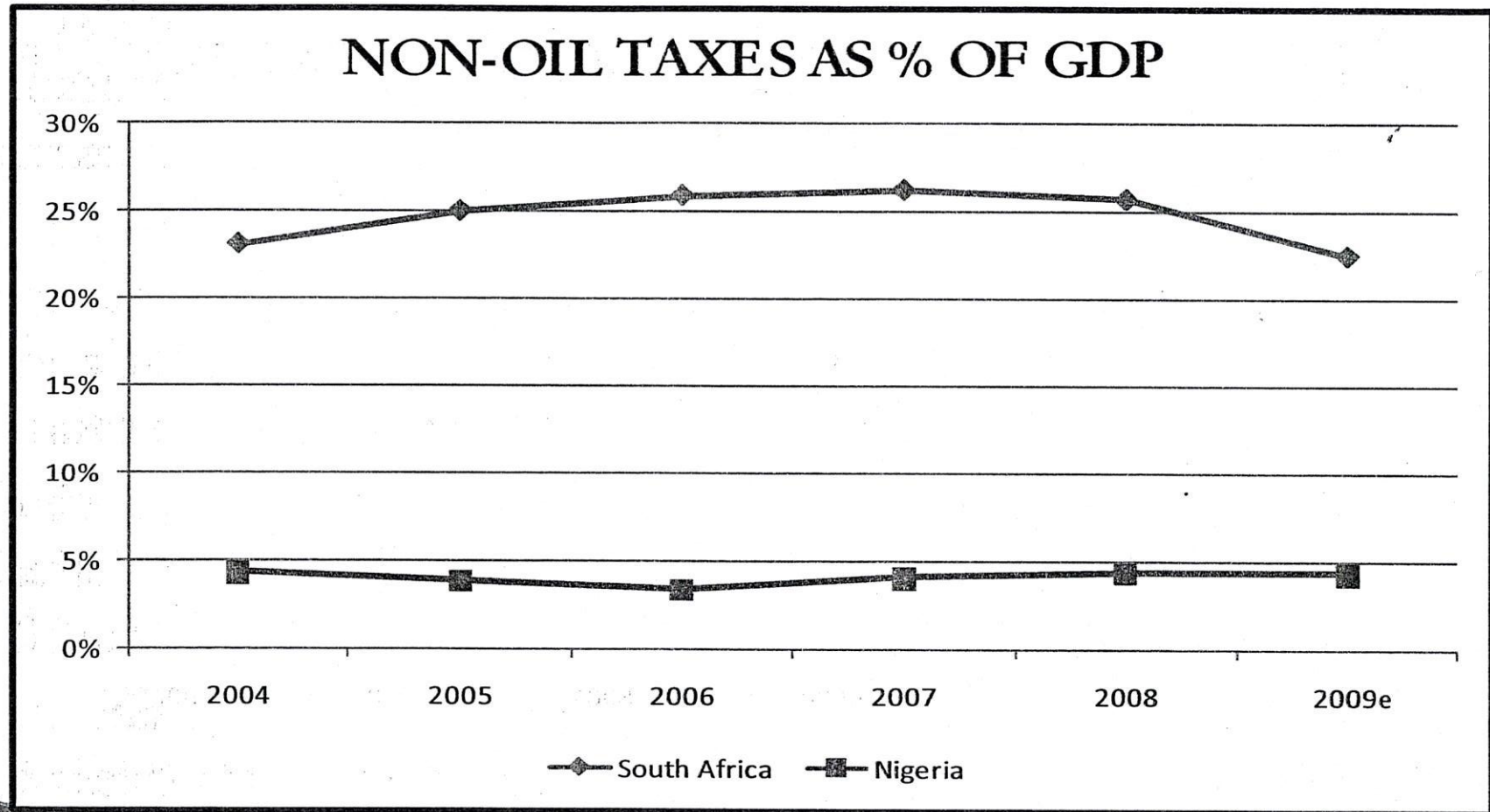
- ▶ We do not believe that the FGN can raise any significant sum from privatization (most SOEs have liabilities in excess of their assets) and PPP initiatives (too early).
- ▶ The rest of the financing (about =N= 1.5 trillion) must therefore come from domestic borrowing and although ample provision has been made in the 2010 Budget for the cost of servicing domestic debts, raising this amount will be challenging.
- ▶ Although debt to GDP remains low, the cost of servicing domestic debts will be more than 20% of government revenues in 2010.
- ▶ The fiscal deficit of 2009 and the one projected for 2010 imply a pace of debt accumulation that will eventually lead to default.

THE 2010 BUDGET OF THE FGN



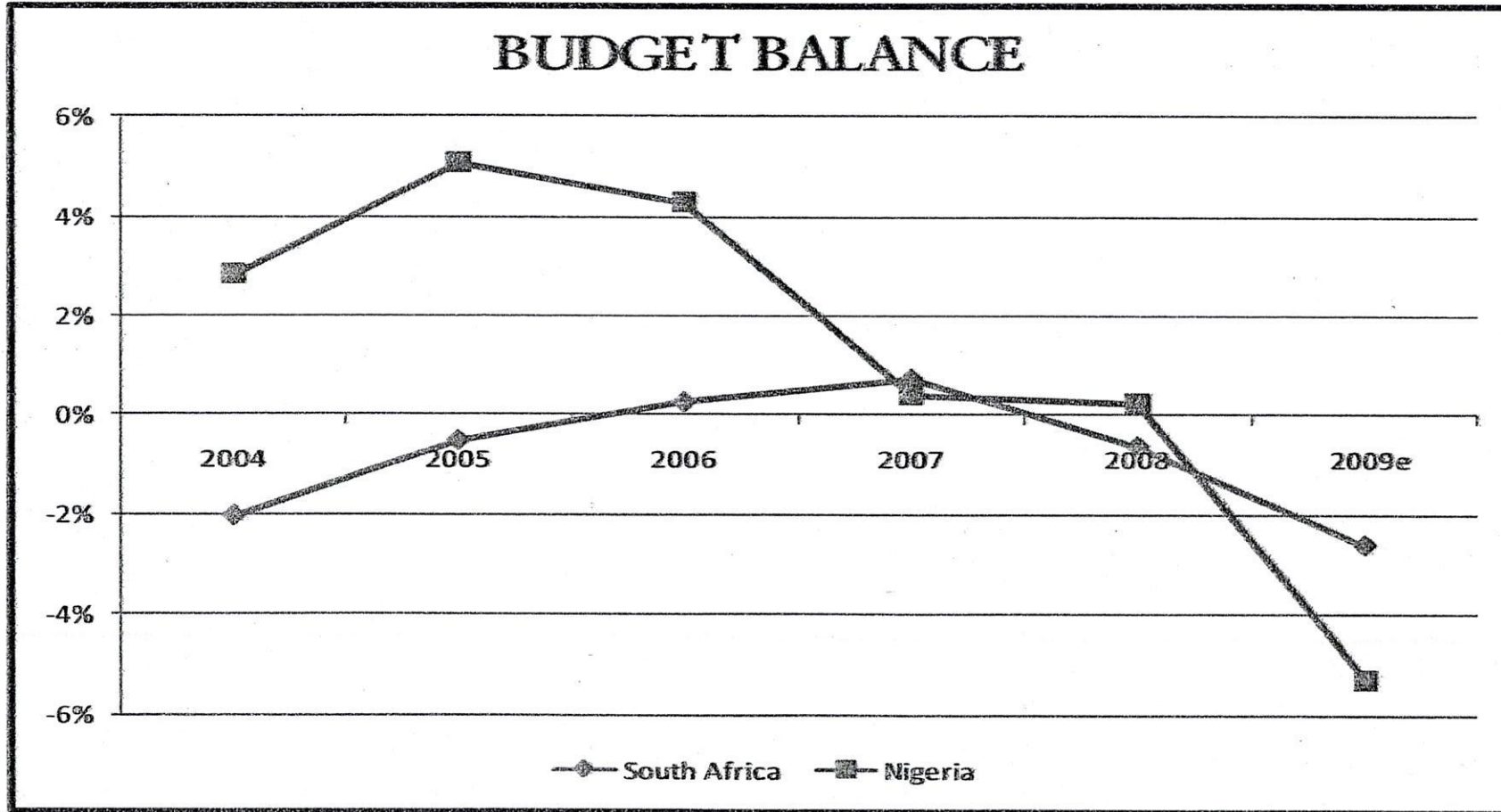
Sources : FMF and SAKI

THE 2010 BUDGET OF THE FGN



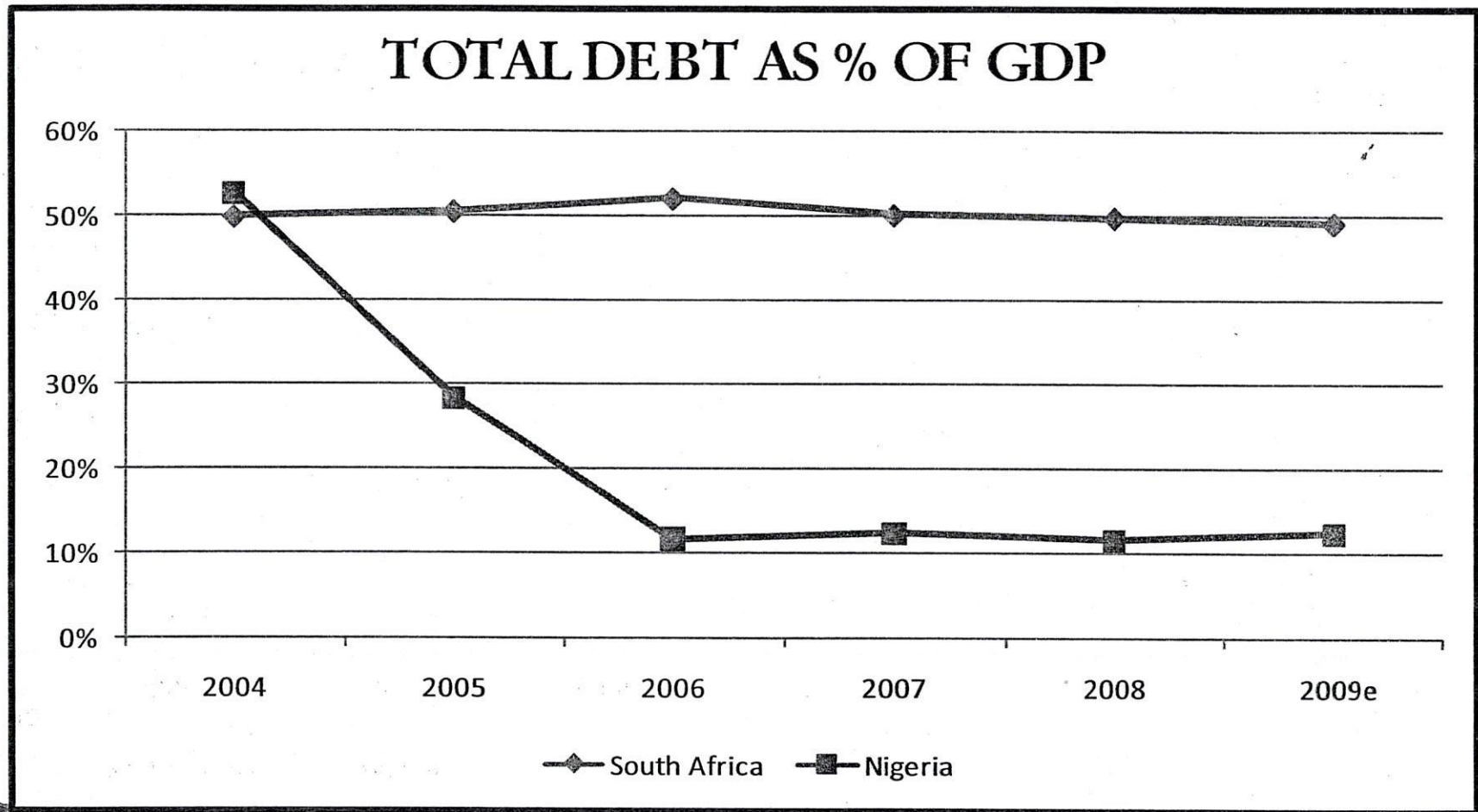
Sources: IMF and SARB

THE 2010 BUDGET OF THE FGN



Sources: IMF and JICA

THE 2010 BUDGET OF THE FGN



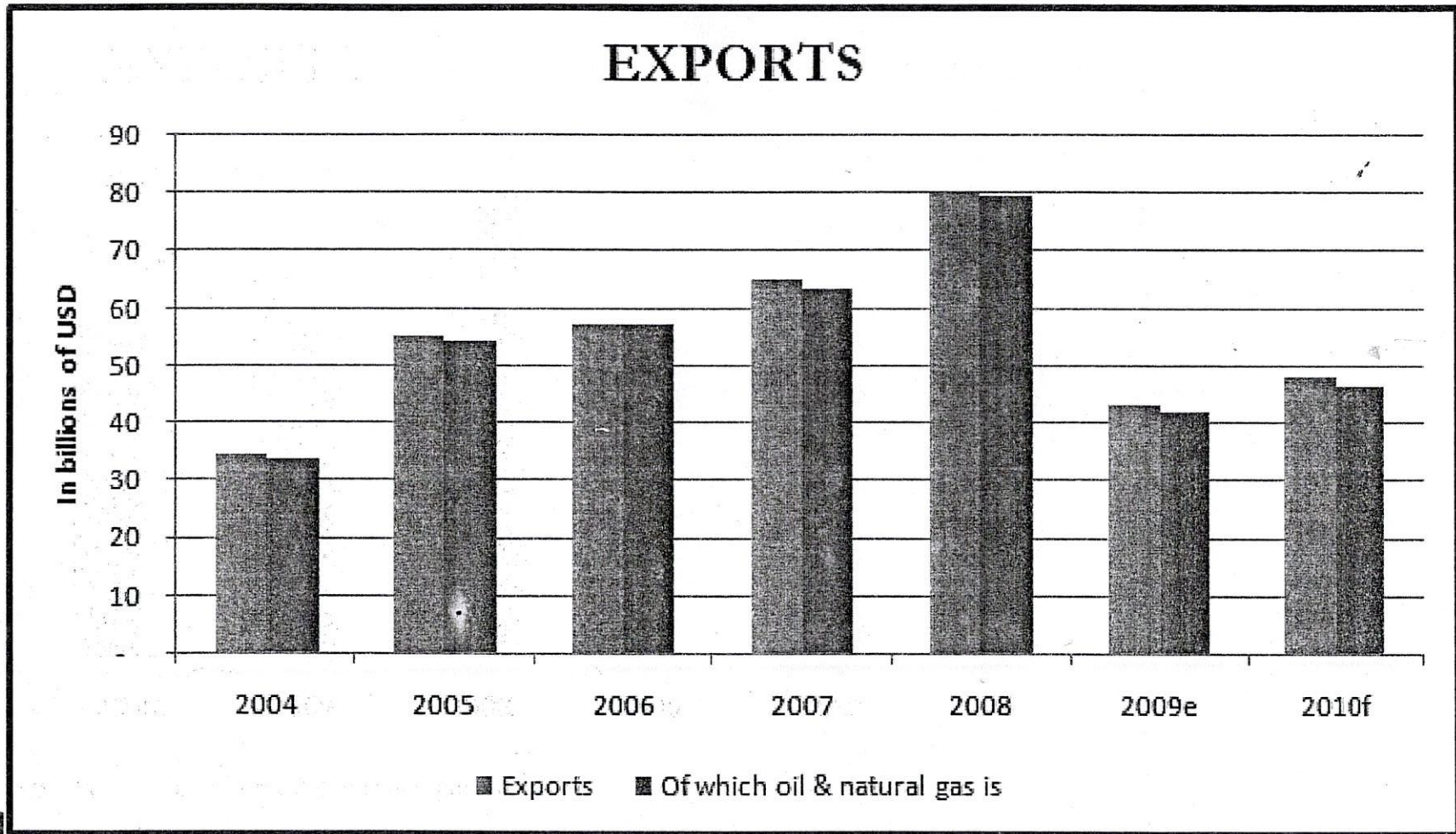
Sources : IMF and S. 2009

SECTION IV

THE EXTERNAL SECTOR

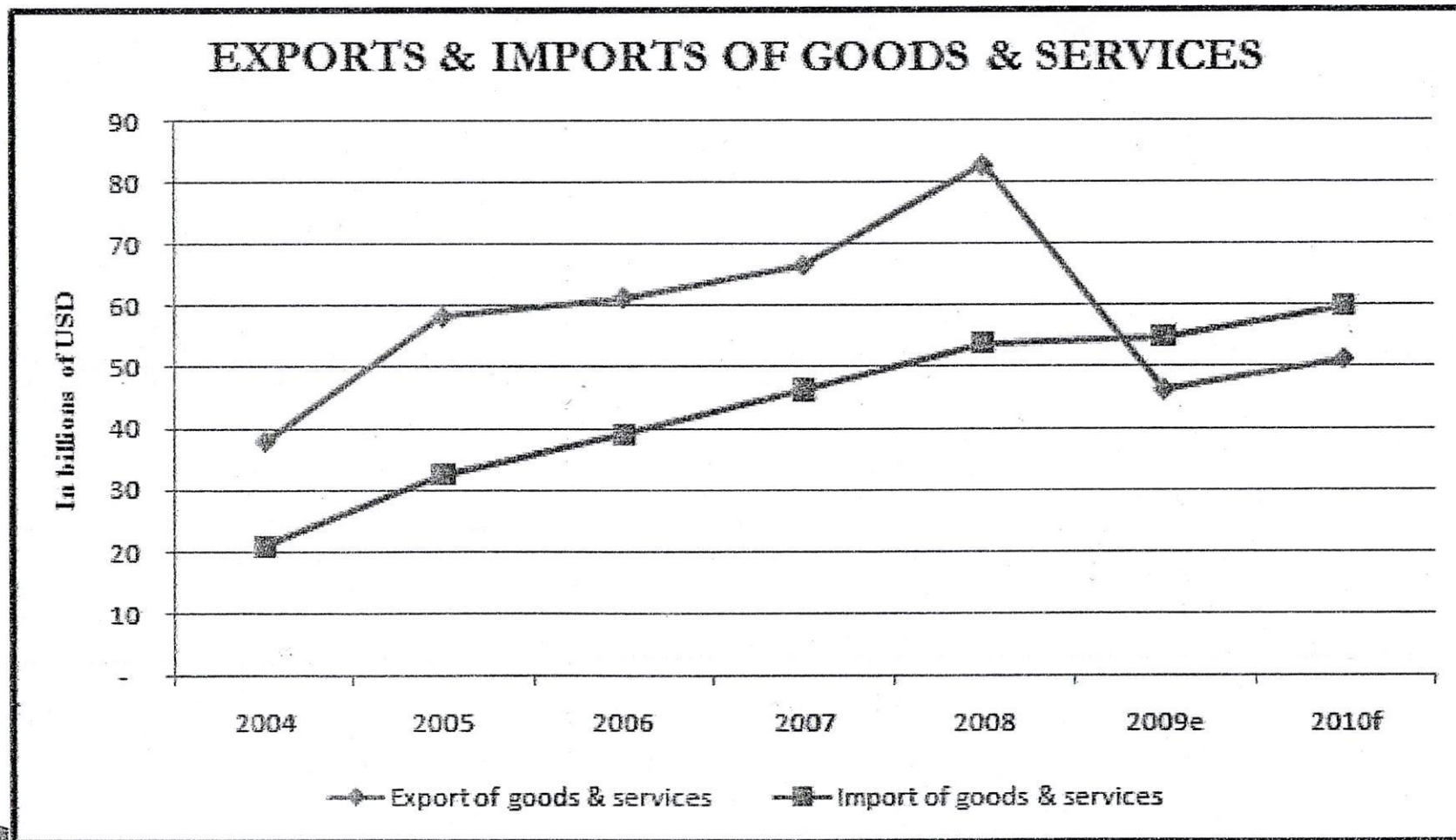
2010
2.3. 2.5 trillion
4.1 4.3 serm
Deficit to go ahead of #2 billion
Excess from
Banks pension funds
= Lead to save risk
Bond market yield up

THE EXTERNAL SECTOR



Sources: CBN and estimates

THE EXTERNAL SECTOR

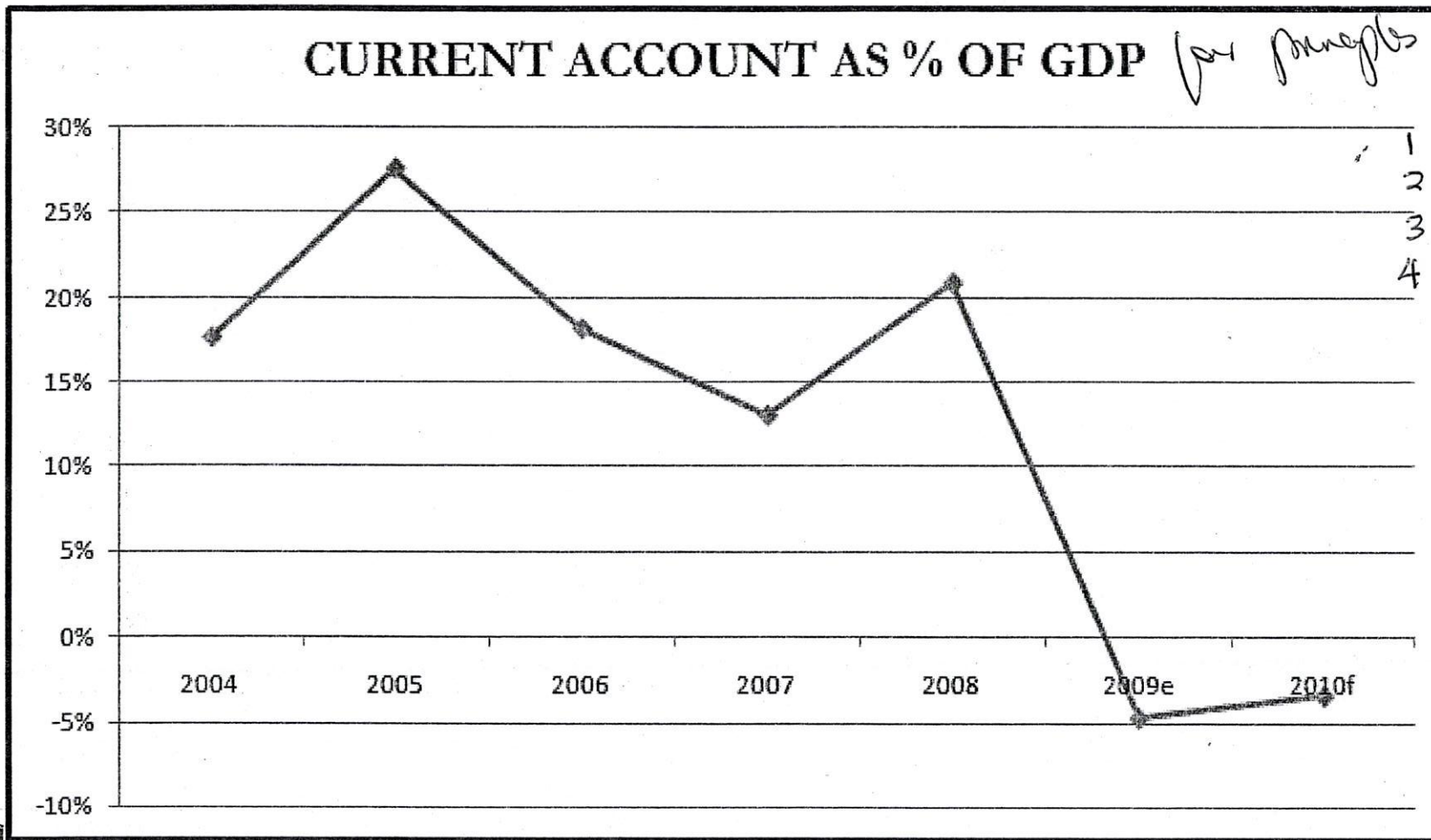


Sources: CBN and SA estimates

THE EXTERNAL SECTOR

diffusion x diffusions

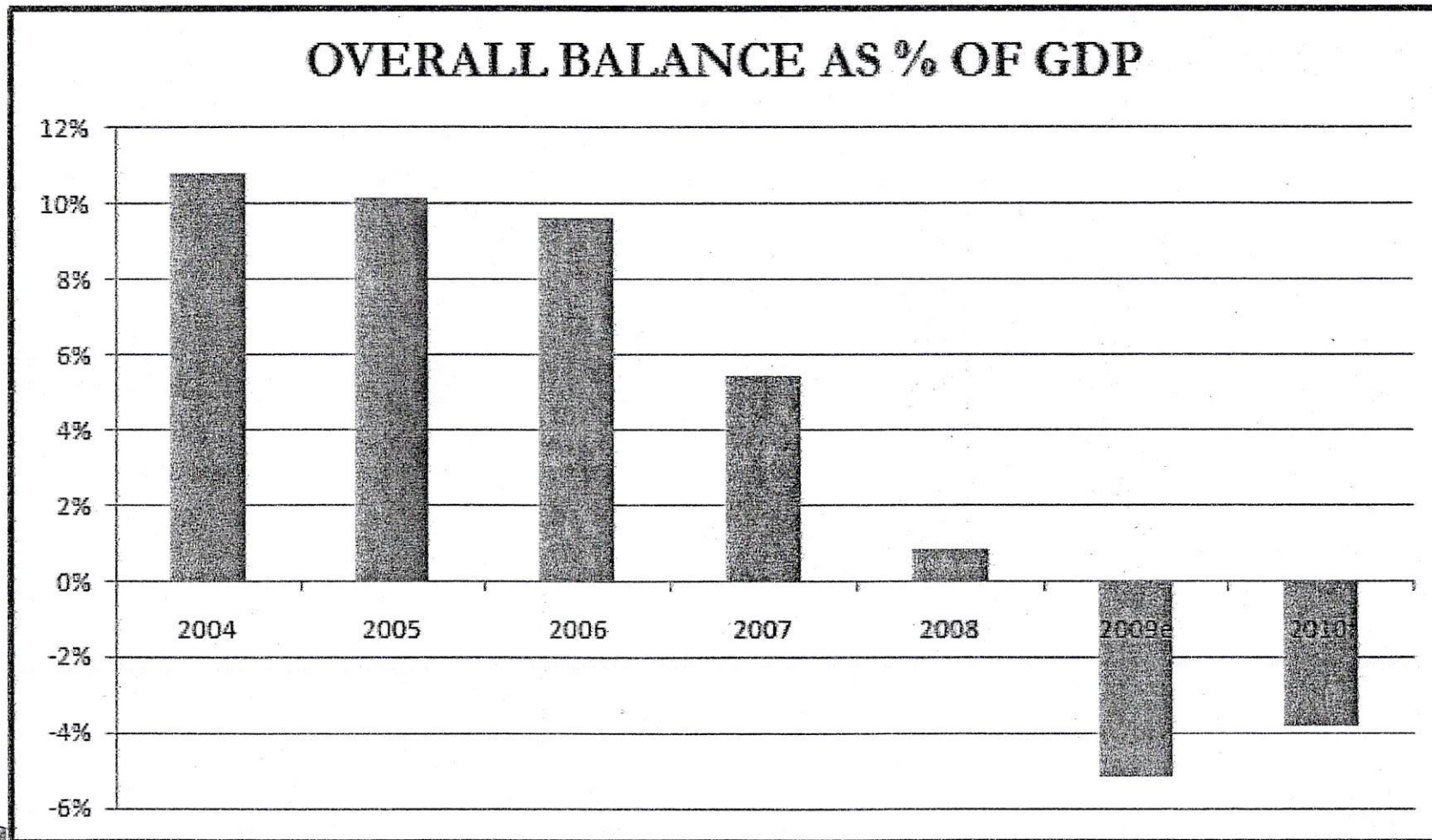
*Portfolio diff - are smaller
to budget difference*



*any point
have
notches
series
foot
under
transfers*

Sources: CBN and our estimates

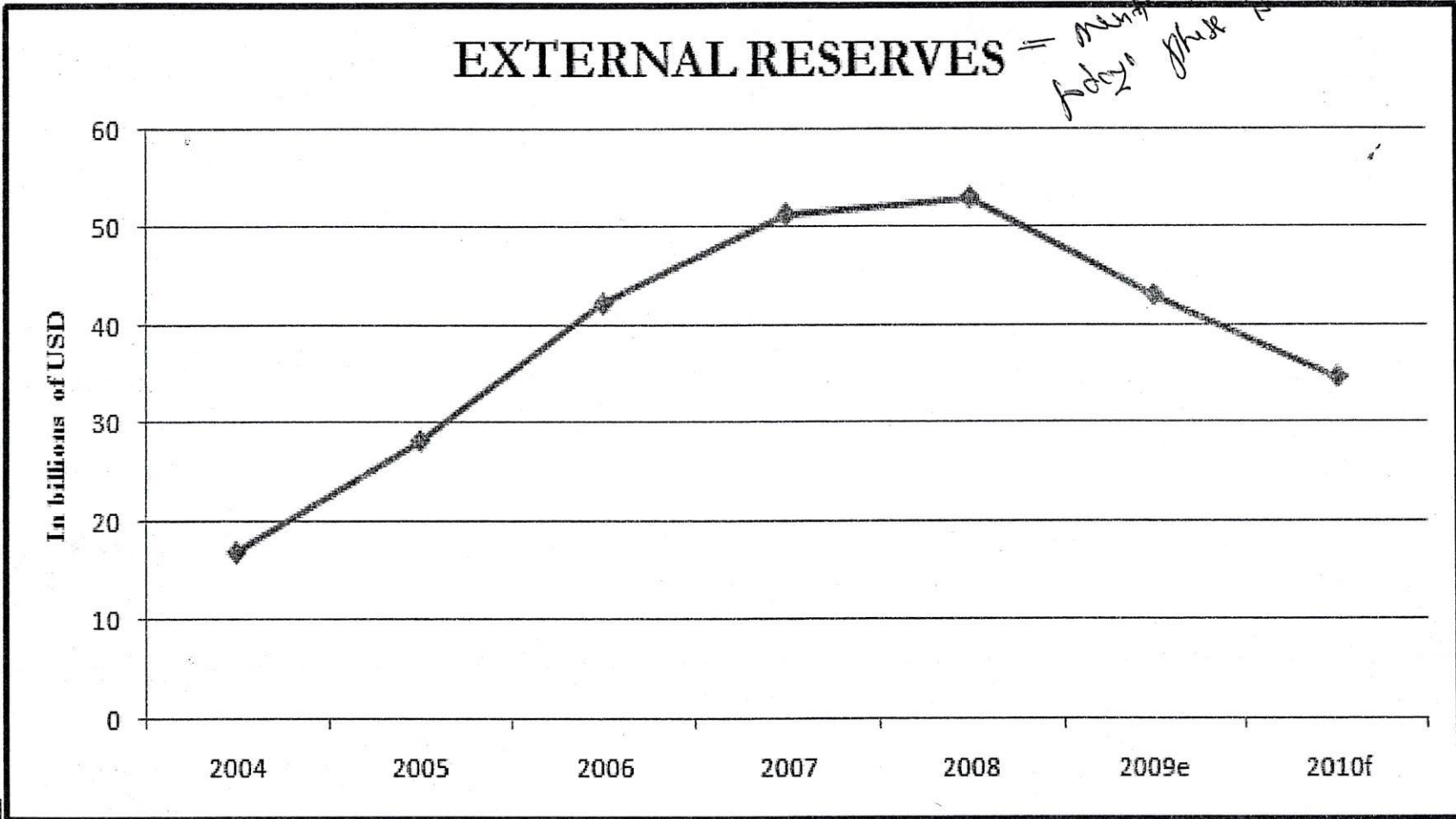
THE EXTERNAL SECTOR



Sources: CBN and our estimates

THE EXTERNAL SECTOR

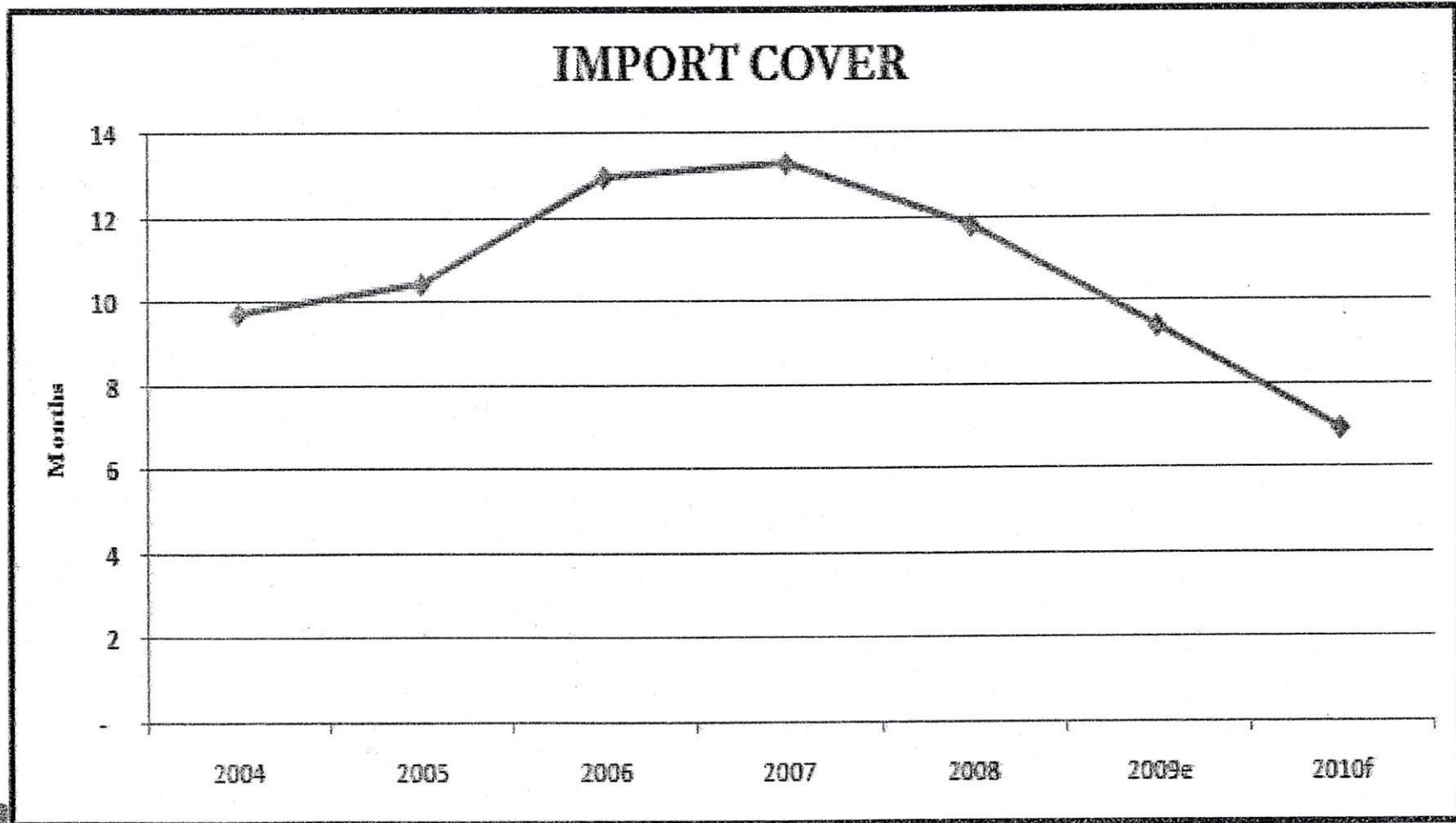
*Balance of Payments
 Have deficit in current
 account
 - @ Deplofe
 - @ of Int
 - @ of Int
 Balance of IMF
 of Prof Gov
 of Prof Gov*



*= meant to protect as
 policy these is not fighting*

Sources: CBN and our estimates

THE EXTERNAL SECTOR



Sources: CBN and estimates

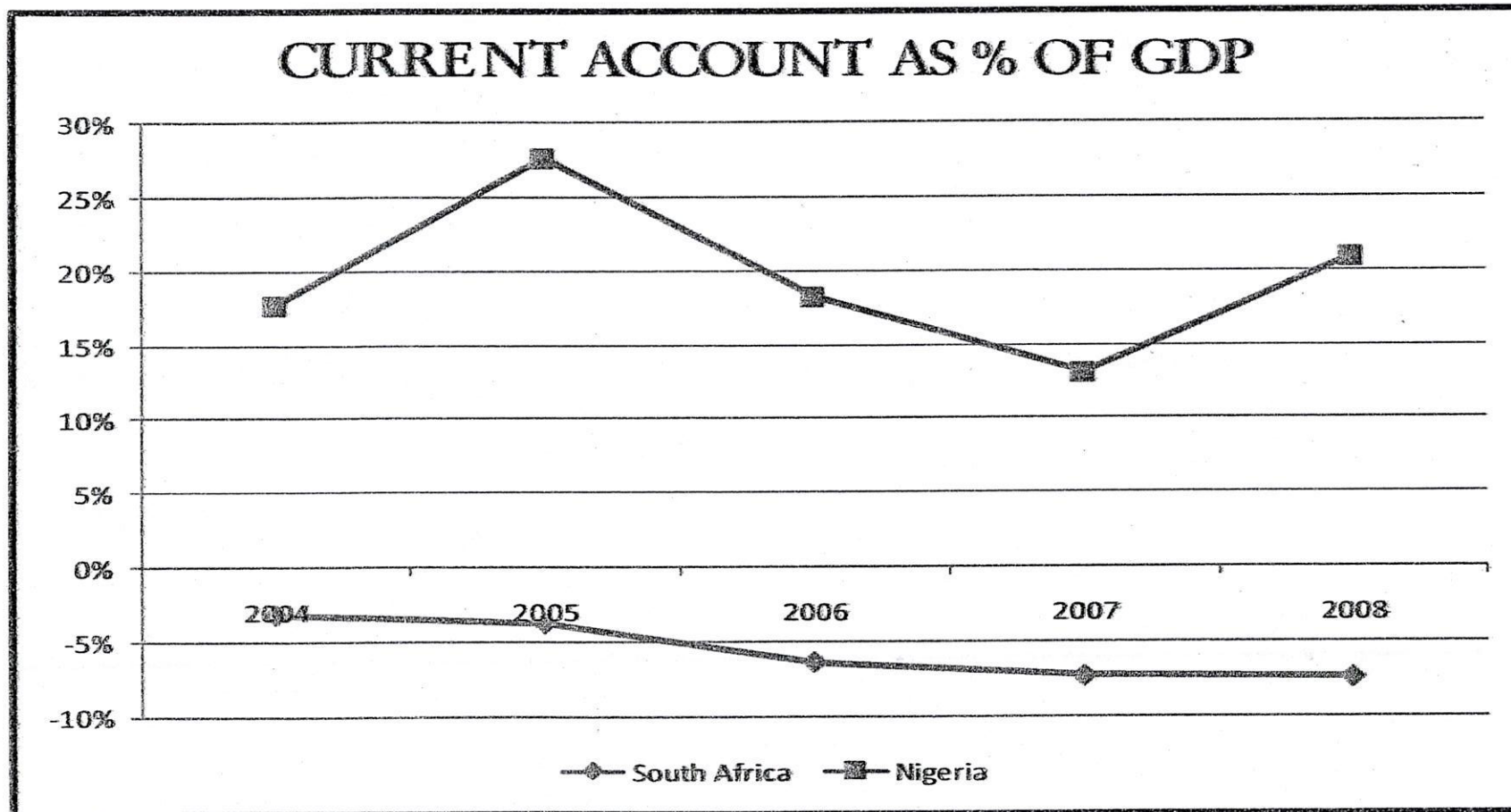
THE EXTERNAL SECTOR

- ▶ In 2010, the current account is likely to remain in deficit and the size of the deficit will be about 3% of the GDP. However, this could be bigger if oil production does not recover to the projected levels.
- ▶ Because of the weakness in the current account, overall balance of payments will also be in deficit.
- ▶ Nigeria will continue to lose reserves unless oil price rebounds strongly. However, due to the high level of reserves built during the period of strong oil price, import cover should remain strong.

THE EXTERNAL SECTOR

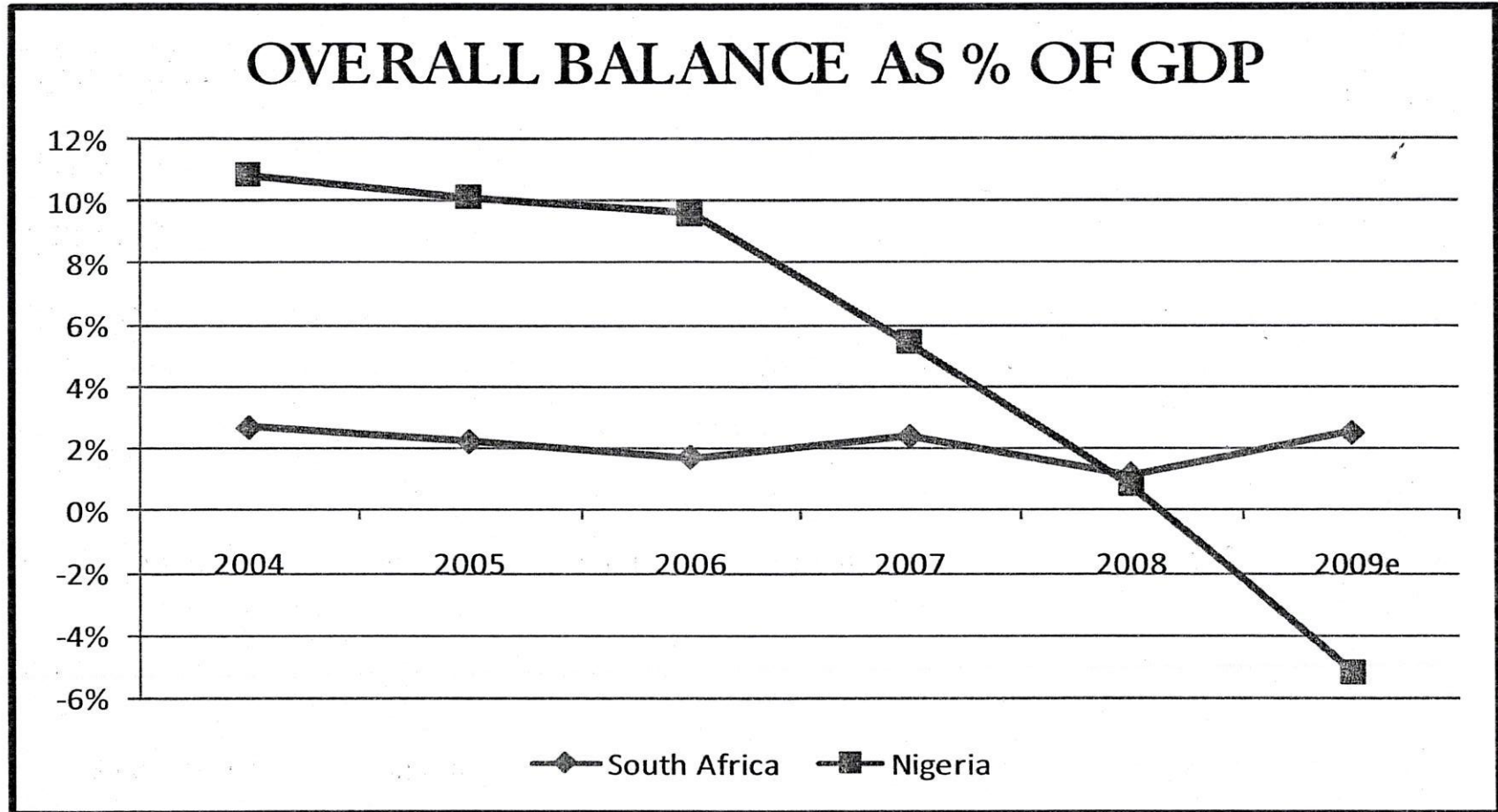
- ▶ The Naira will continue to depreciate against the USD and other major international currencies, reflecting the weakness in the current account and pressure to reduce fiscal deficit.

THE EXTERNAL SECTOR



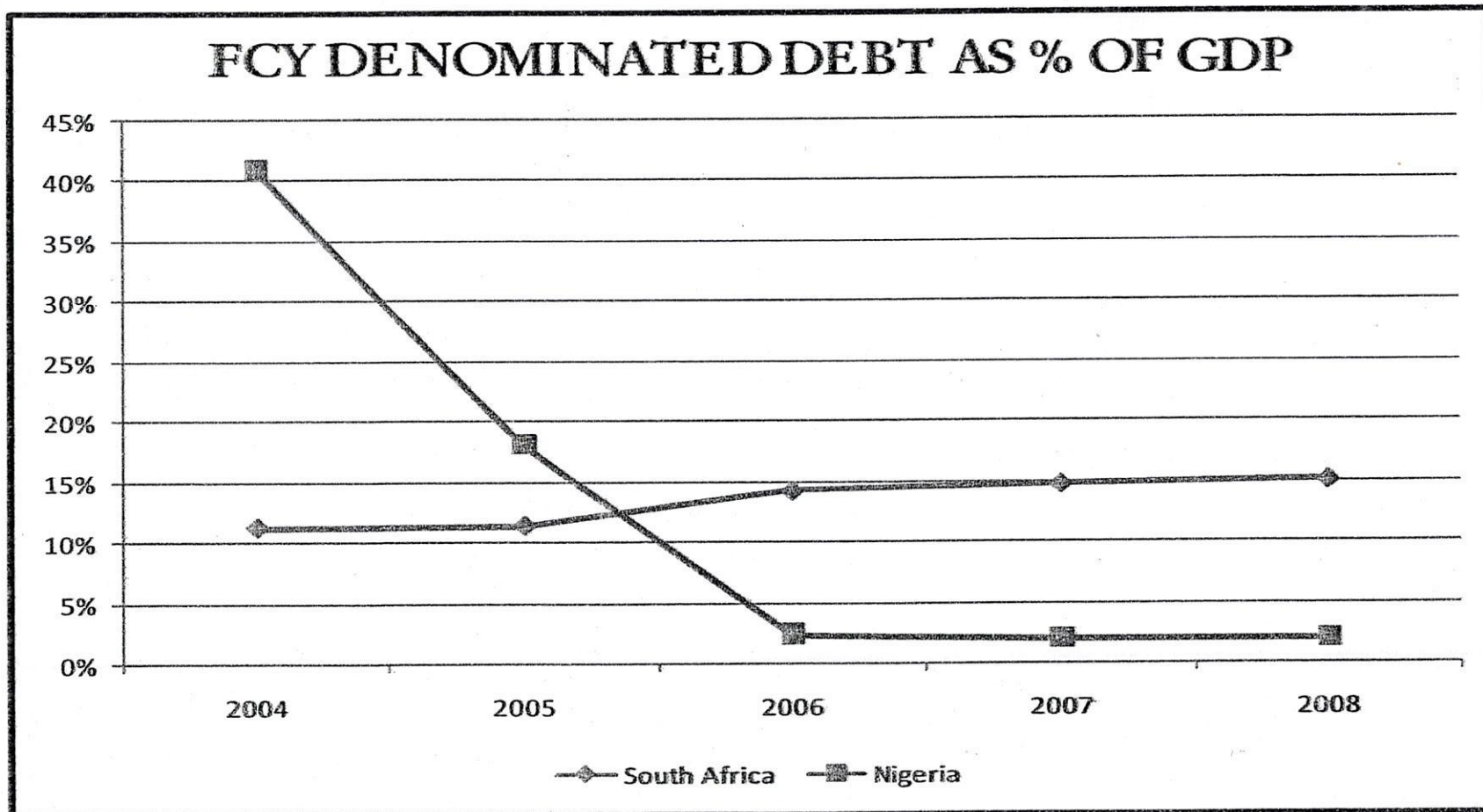
Sources: CBN and GDP

THE EXTERNAL SECTOR



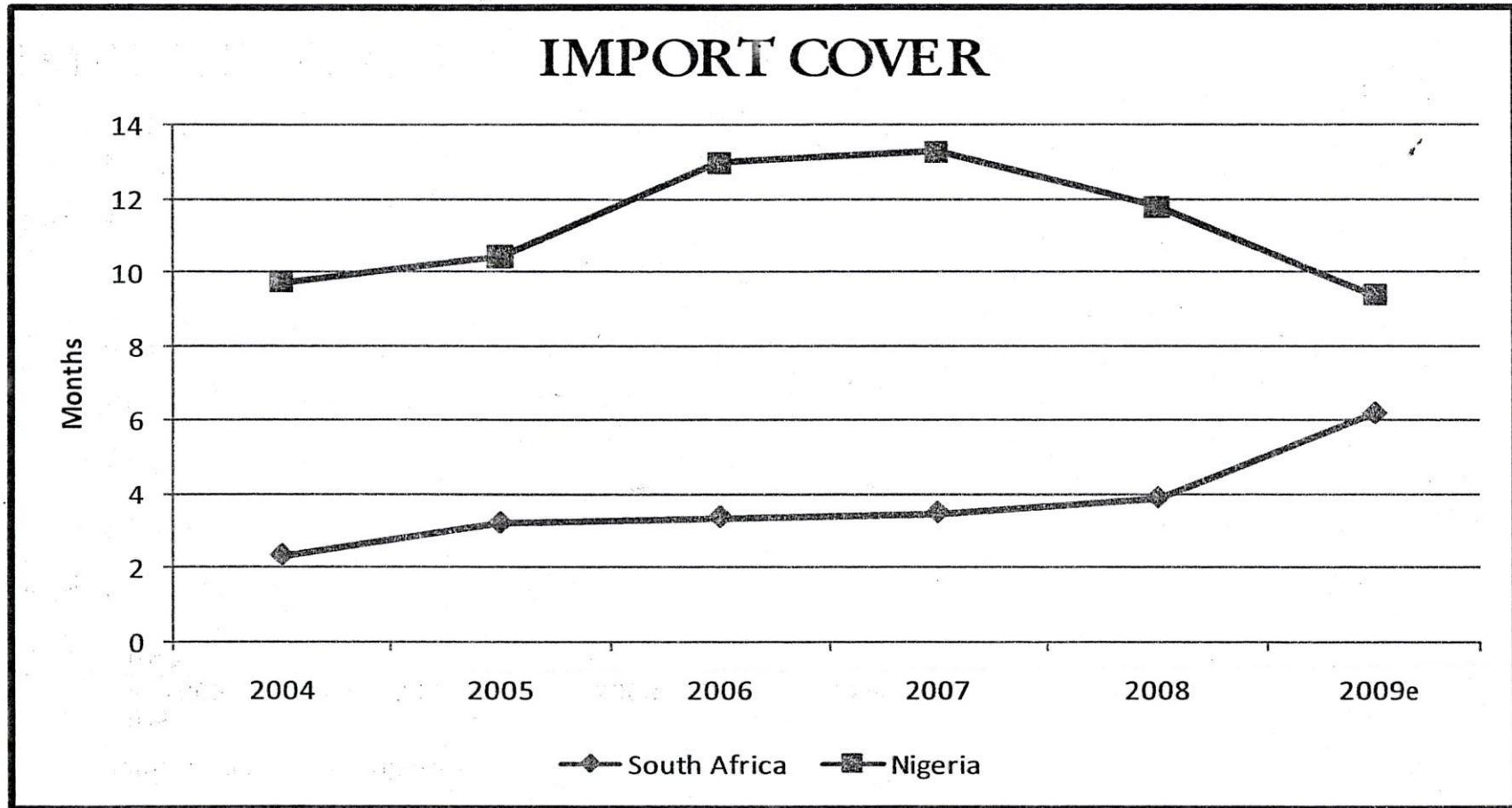
Sources : CBN and SARB

THE EXTERNAL SECTOR



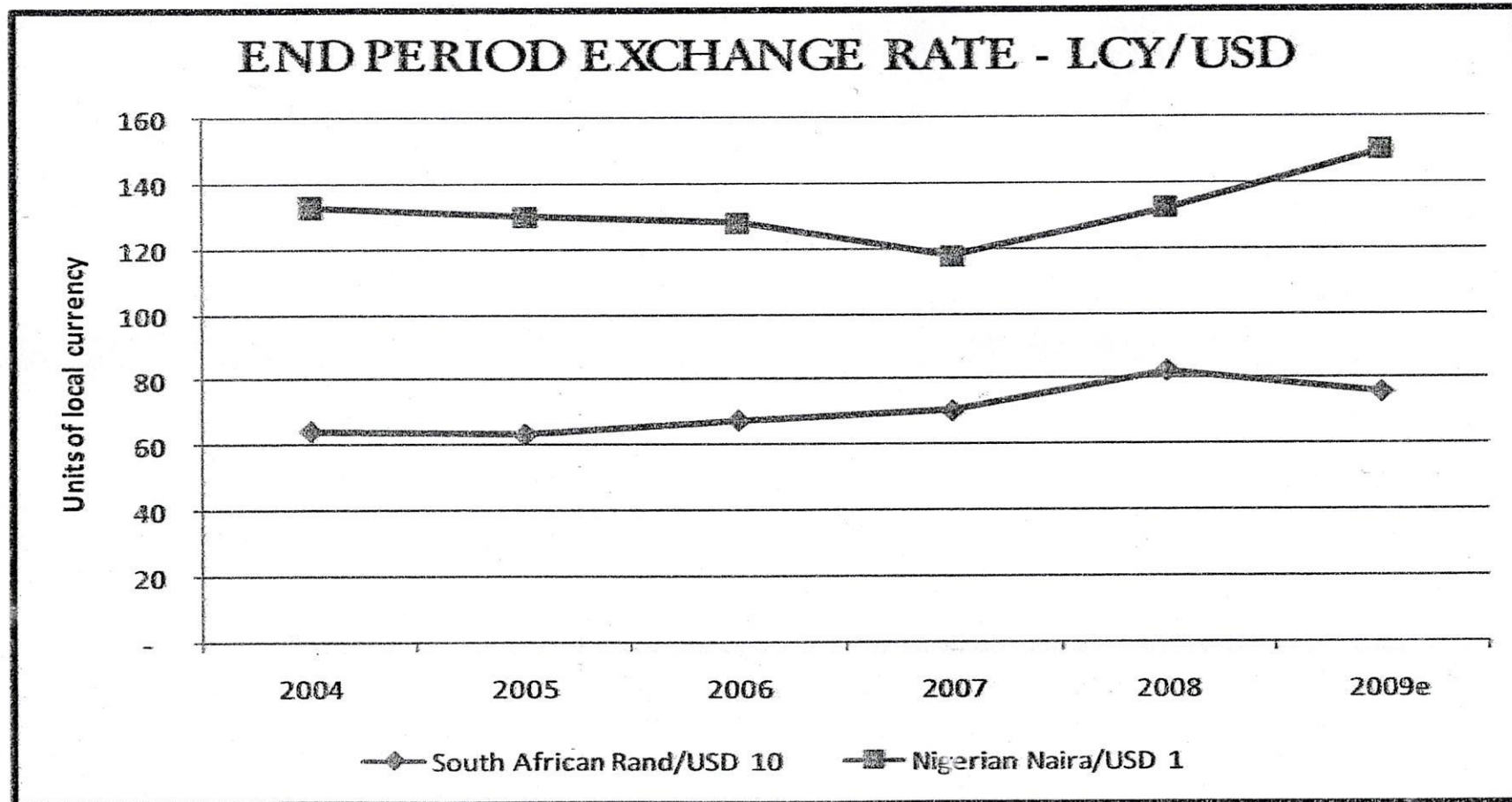
Sources : CBN and ...

THE EXTERNAL SECTOR



Sources : CBN and SARS

THE EXTERNAL SECTOR



Sources: CBN and SARB

RD

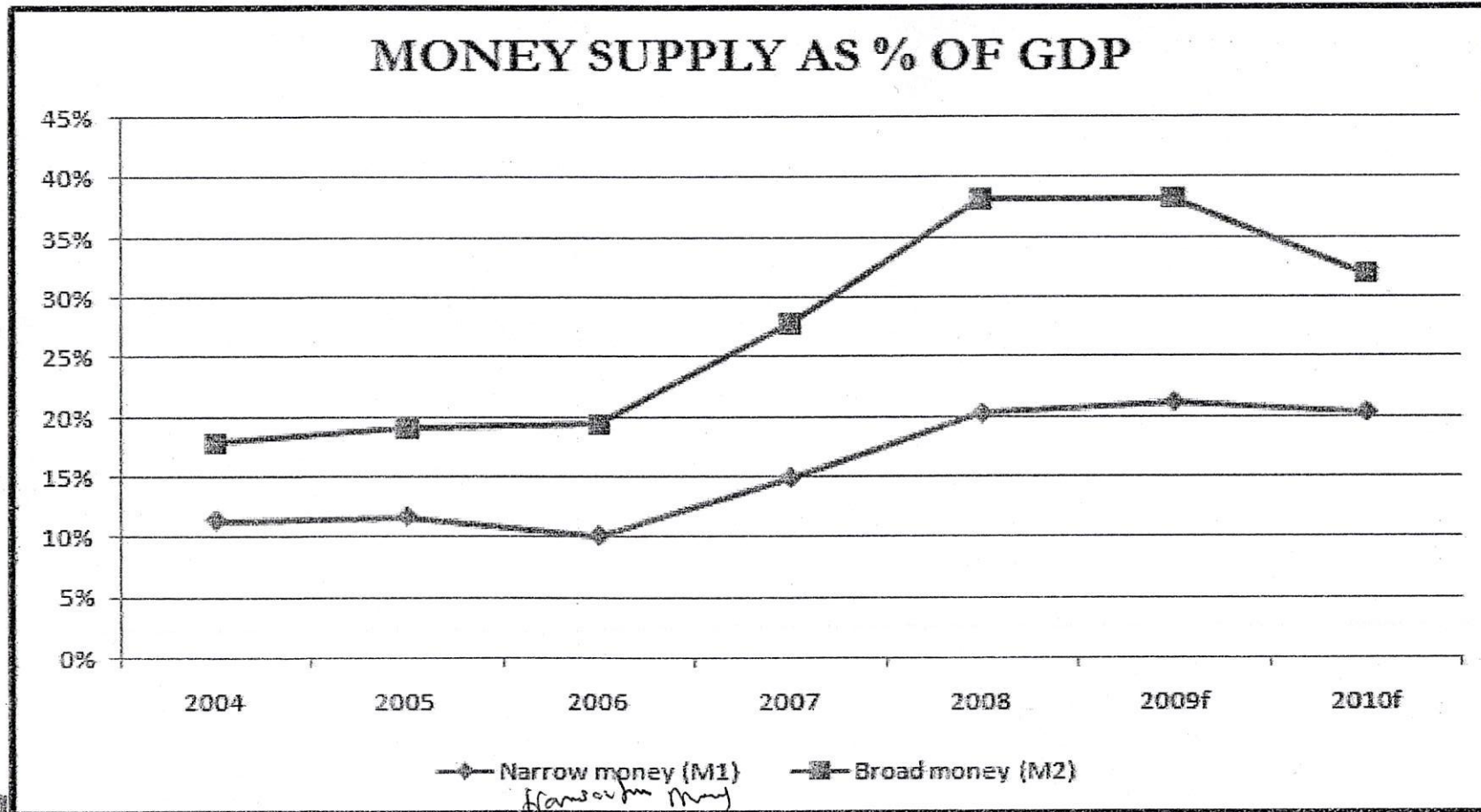
② Supply side - Govt. & private
③ Gov. & private
M1/M2 - Govt. & private

SECTION V

MONEY SUPPLY, INFLATION & INTEREST RATES

GD of Angola is 85 Billion
17 million people

MONEY SUPPLY, INFLATION & INTEREST RATES



Sources: CBN and estimates

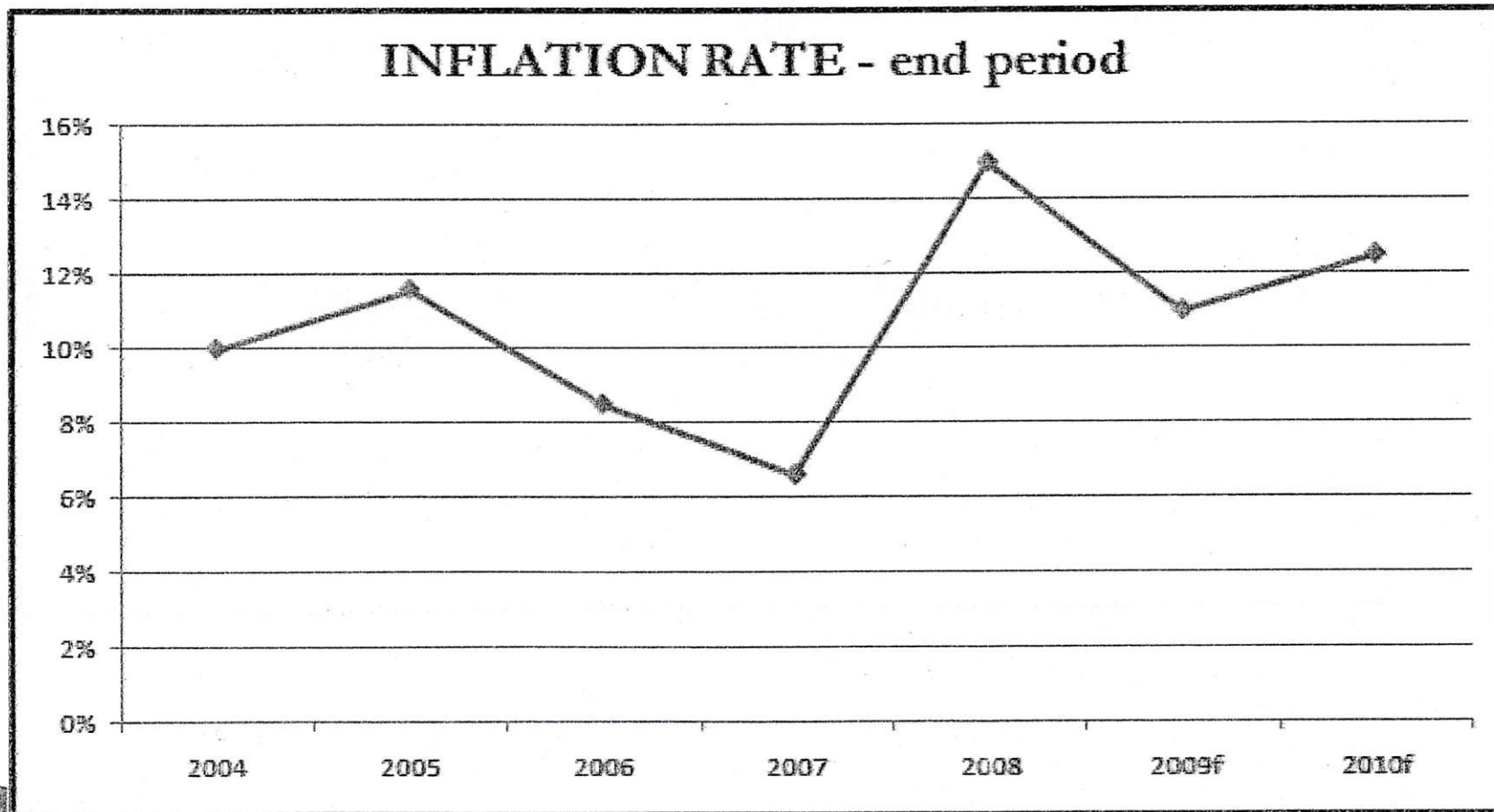
MONEY SUPPLY, INFLATION & INTEREST RATES

- ▶ Food shortages?
- ▶ Deregulation of the downstream sector
- ▶ Currency depreciation
- ▶ General wage increases particularly as the FGN succumbs to pressure from her workers (Doctors, University lecturers)
- ▶ Increase in electricity tariff?
- ▶ Increase in VAT?
- ▶ Slowdown in private sector consumption

FACTORS THAT MAY DRIVE UP
INFLATION IN THE MEDIUM TERM

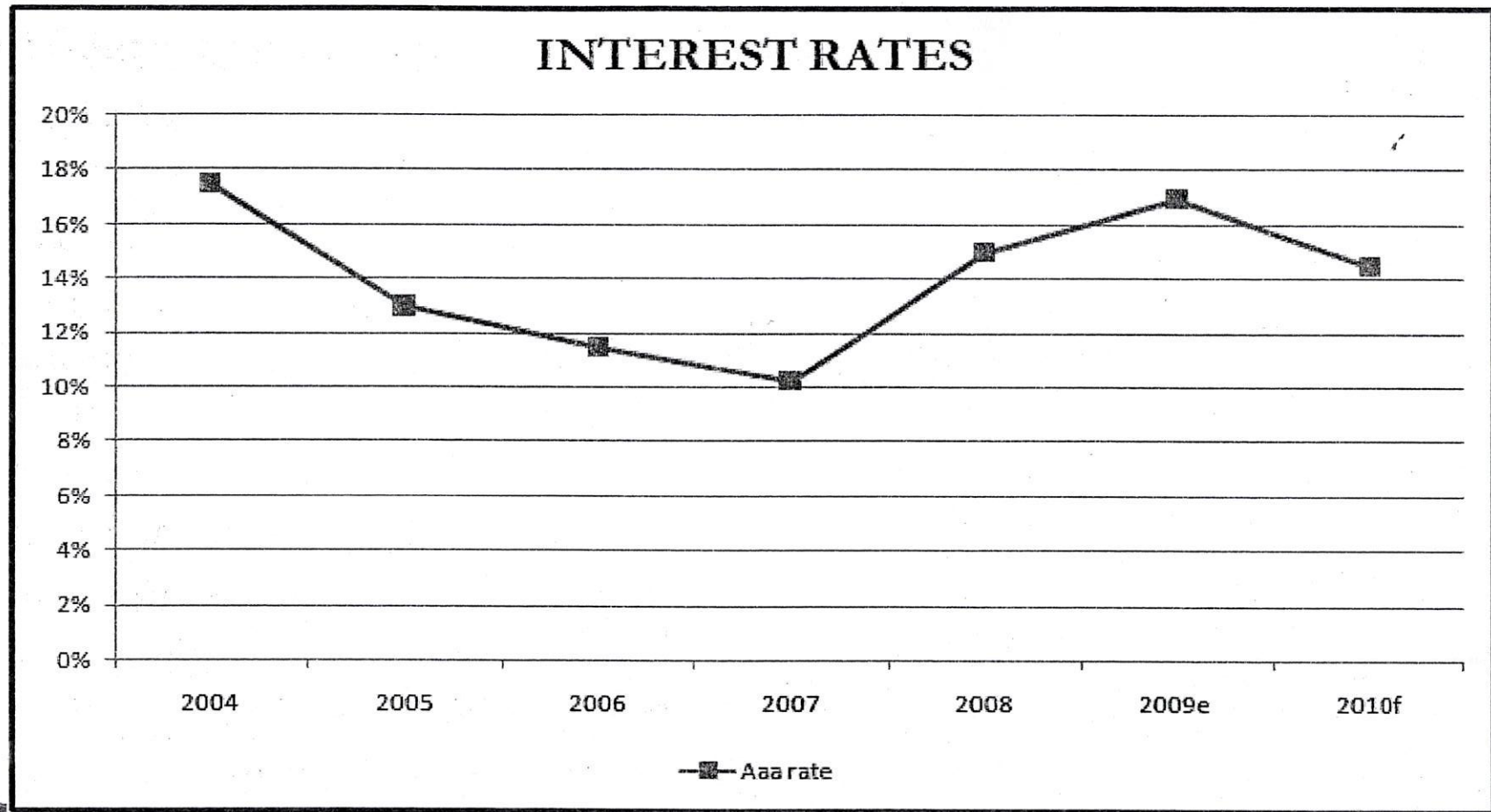
FACTORS THAT MAY LOWER
INFLATION IN THE MEDIUM TERM

MONEY SUPPLY, INFLATION & INTEREST RATES



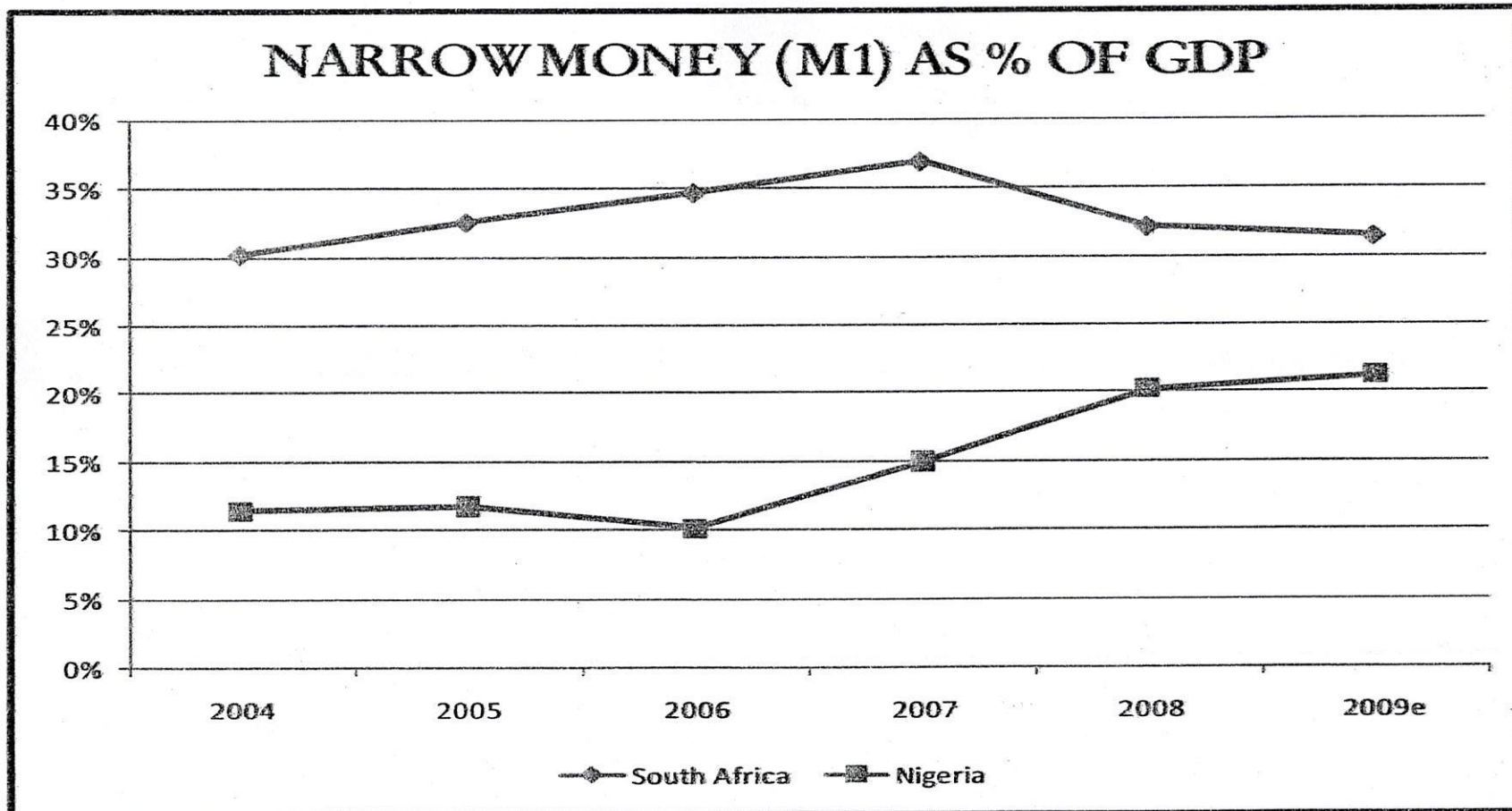
Sources: NBS and our estimates

MONEY SUPPLY, INFLATION & INTEREST RATES



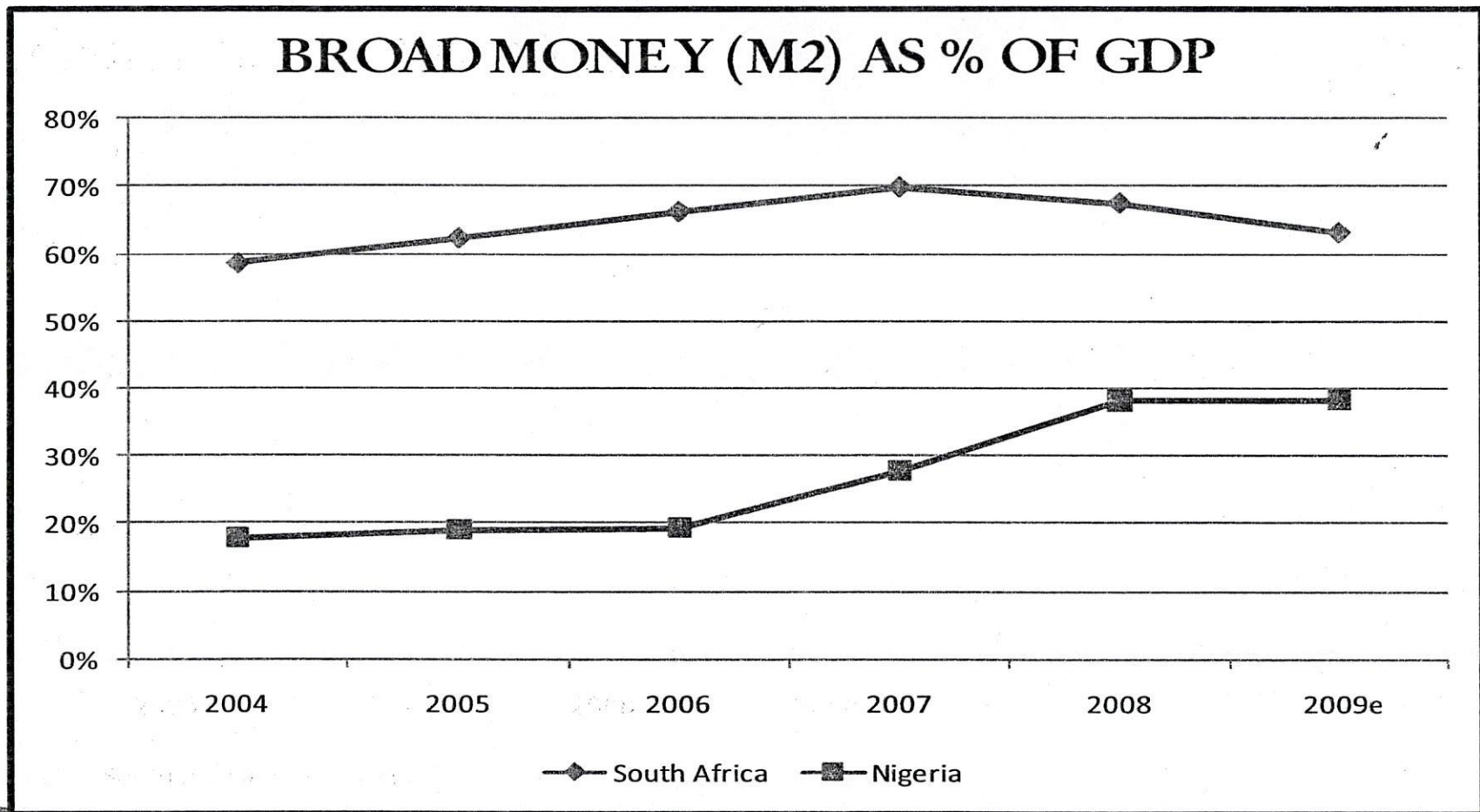
Sources: Avg. FBN, GT & Citibank and our estimates

MONEY SUPPLY, INFLATION & INTEREST RATES



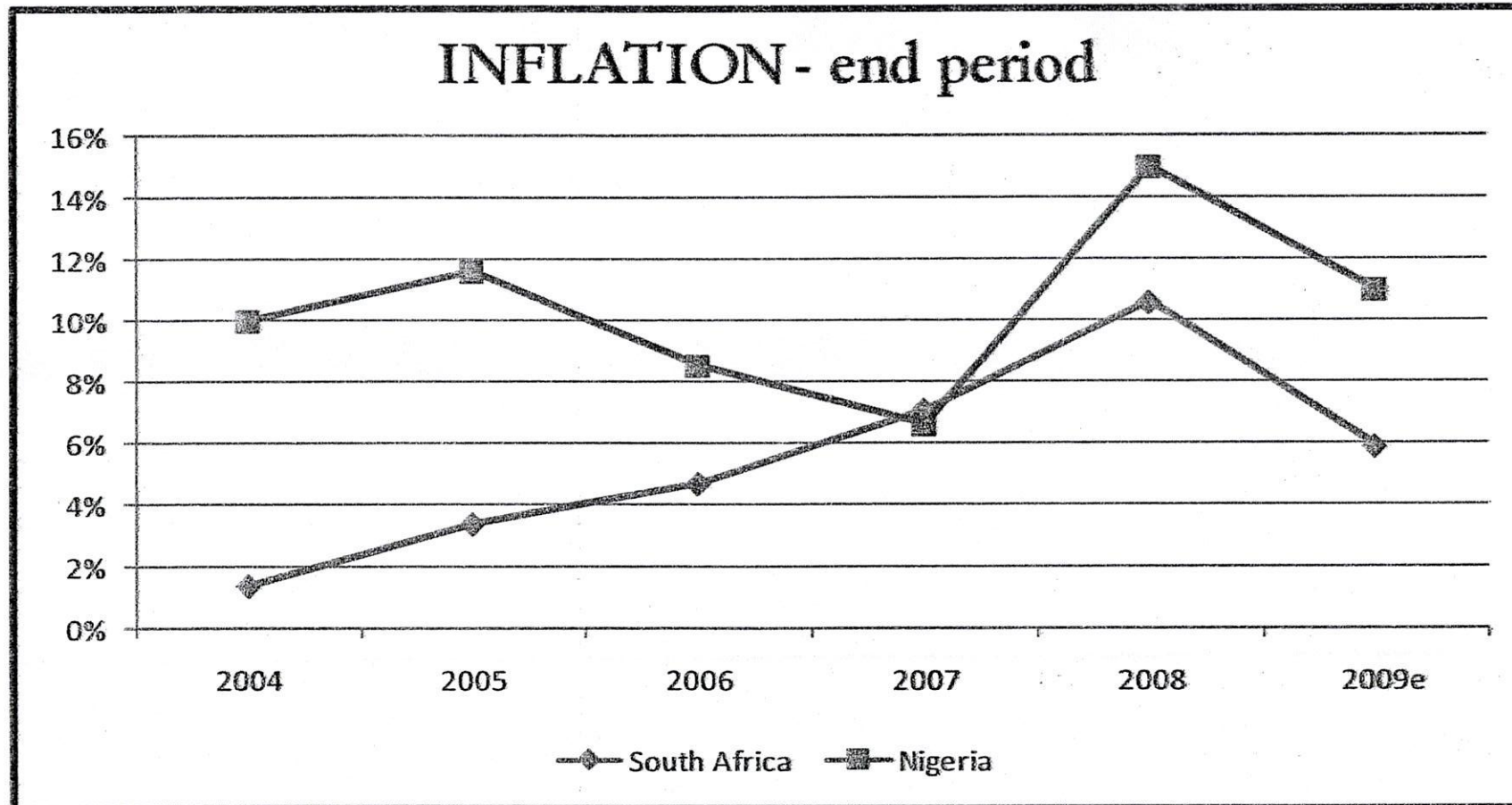
Sources : CBN and SARB

MONEY SUPPLY, INFLATION & INTEREST RATES



Sources : CBN and SARB

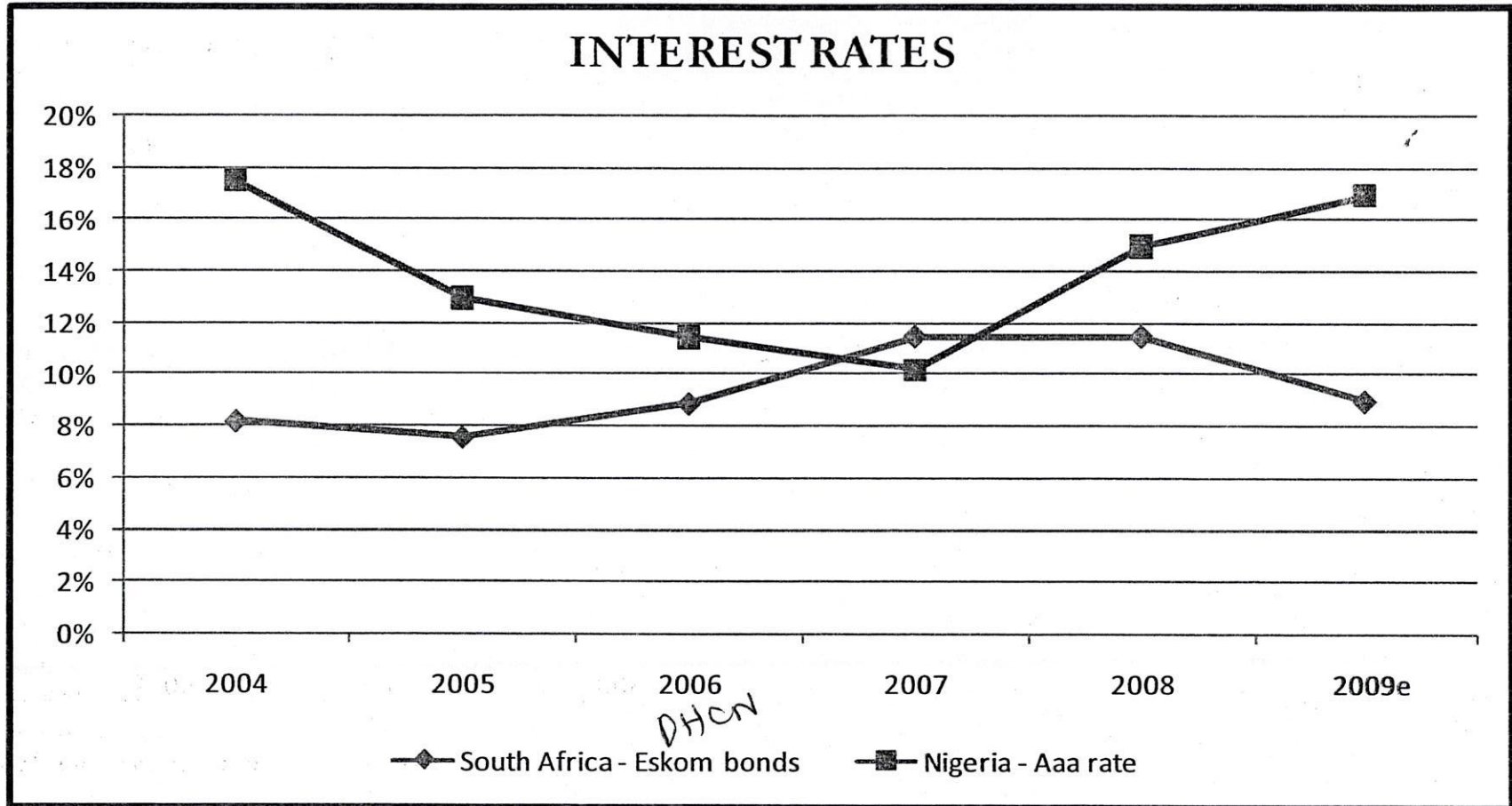
MONEY SUPPLY, INFLATION & INTEREST RATES



Sources - CBN and SABS

MONEY SUPPLY, INFLATION & INTEREST RATES

*Non oil firms - capital exp & debt
 Govt money abroad*



Sources : FBN, Citi Nigeria and SARB

SECTION VI

UNRESOLVED ISSUES THAT MAY HAVE A SIGNIFICANT IMPACT ON THE ECONOMY

THE PETROLEUM INDUSTRY BILL

Joint ventures will be companies driven

► What does this Bill mean?

- Incorporate JVs.
- Staff IJVs with mix of IOC staff and NNPC staff.
- IJV shareholders will no longer pay cash calls but IJVs will have to be capitalized. Multiple of the cash calls may be used
- Government will no longer lift and sell crude oil. raises question of FGN will not use crude oil
- Government revenues will come from taxes and dividends (which may be lumpy).
- Any subsidy downstream must be explicit.

Govt share of exps = cash call

DEREGULATION OF THE OIL & GAS DOWNSTREAM SECTOR

► What does this mean?

- Government will no longer control the pump price of petroleum products.
- Government will no longer subsidize the pump price of petroleum products (particularly PMS and HHK).
- Government will no longer import petroleum products.
- Marketing companies will import products directly or buy from local refineries.
- Product price may not be uniform around the country.
- Government may impose VAT on products.
- Government may sell her refineries.

THE 2009 BANKING INDUSTRY CRISIS

▶ BACKGROUND

- About half of the banks in Nigeria have a heap of bad loans that has eroded their capital.
- Although the CBN has injected new capital of =N= 620 ^{Billion} into these banks, it is clear this is not enough.
- The size of the problem is estimated at between =N= 1.5 trillion and =N= 2 trillion.
- How will the government resolve this problem?
 - AMC? *Asset management company.*
 - Other ways?
- Will this problem be solved on a timely basis?

THE 2009 BANKING CRISIS

▶ WHAT THE FGN SHOULD DO

- The FGN should buy the bad loans of Nigerian banks.

THE 2009 BANKING INDUSTRY CRISIS

▶ HOW THE GOVERNMENT SHOULD DO IT

- Caretaker managers should quantify the true extent of capital deficiency in each bank.
- Armed with this information, the CBN should give the shareholders of these banks a reasonable time to make good the lost capital.
- If they are able to do this (which is unlikely), the CBN should give the banks back to the shareholders provided they can also put together a management team acceptable to the CBN.

THE 2009 BANKING INDUSTRY CRISIS

▶ HOW THE GOVERNMENT SHOULD DO IT

- If they are unable to do these, the FGN should take an equity position of at least 40% of shares that carry voting rights in each bank. This should be done by converting monies already injected into these banks as Tier II Capital into Core Capital. Entry price will be based on independent valuation.
- The FGN should then buy back the bad loans of these banks at a value equal to the principal outstanding on each loan.

THE 2009 BANKING INDUSTRY CRISIS

▶ HOW THE GOVERNMENT SHOULD DO IT

- ▶ The consideration for this purchase shall be non-interest bearing FGN bonds with a tenors of between one and five years. One fifth of the purchase consideration shall be in each tenor bucket.
- ▶ The FGN should hand the loans purchased to the NDIC for realization. The only exception should be equity shares in these banks securing margin loans and the FGN should add these to her shareholding.

THE 2009 BANKING INDUSTRY CRISIS

▶ HOW THE GOVERNMENT SHOULD DO IT

- ▶ Total value of bonds issued will be in the region of =N= 1 trillion and this should be added to the national debt. This will add about 3% to Nigeria's debt to GDP ratio.
- ▶ The FGN should then sell her equity stake in each bank to core investors. The ultimate buyers will be determined through open competitive bids. The first step shall be technical qualification i.e. approving prospective core investors as persons who can run "safe and sound" banks. The second stage will be financial bids.

THE 2009 BANKING INDUSTRY CRISIS

- ▶ **HOW THE GOVERNMENT SHOULD DO IT**
- ▶ Caretaker managers should not be allowed to bid for any bank but should help the FGN dispose of her shares. They should be paid a completion bonus of a small percentage of the sale proceeds.
- ▶ The BPE should be assigned the responsibility of disposing of the government's equity stake in each bank.

THE 2009 BANKING INDUSTRY CRISIS

▶ HOW THE GOVERNMENT SHOULD DO IT

- ▶ This bail-out program will be accomplished through the following steps
 - HMF and CBN Governor get Mr. President's "in principle" agreement for this bail-out program.
 - HMF consults the leadership of the NASS on this bail-out program.
 - HMF presents a memo to the FEC and obtains Council approval for this bail-out program.
 - Mr. President sends bail-out program to NASS for approval.
 - HMF and Governor CBN implement bail-out program after NASS approval.

THE 2009 BANKING INDUSTRY CRISIS

▶ HOW THE GOVERNMENT SHOULD DO IT

- ▶ The principal cost of the bail out program shall be
 - Cash used to purchase shares in the banks (=N= 620 ^{Billions} million already done through QE)
 - Bonds issued to funds the purchase of the bad loans of the banks (estimated to be in the region of =N= 1 trillion)
- ▶ The principal revenues from this bail-out program shall be
 - Proceeds from the sale of government's equity stake in these banks.
 - Monies recovered by the NDIC on the bad loans purchased.

THE 2009 BANKING INDUSTRY CRISIS

▶ HOW THE GOVERNMENT SHOULD DO IT

- ▶ At the end of this bail-out program, the HMF shall prepare accounts in respect of all these transactions, have them audited by independent accountants and present them to Mr. President and the National Assembly. Interim accounts may also be prepared annually.

THE 2009 BANKING INDUSTRY CRISIS

▶ Who we need to work with

- Mr. President
- The Federal Executive Council
- The leadership of the Senate
- The leadership of the House of Representatives
- The Senate
- The House of Representatives
- Honourable Minister of Finance
- Governor, Central Bank of Nigeria
- NDIC
- BPE

THE 2009 BANKING INDUSTRY CRISIS

▶ When?

- Approval of bail-out program by the FEC and NASS should be obtained within three months.
- Bonds to purchase bad loans should be issued within four months.
- Equity stake in banks should be sold within eighteen months.
- NDIC should complete loan recovery within two years.
- HMF should present final audited accounts to NASS not later than six months after NDIC complete loan recovery.

THE 2009 BANKING INDUSTRY CRISIS

- ▶ The principal benefits of this approach are
 - Focus is on a bail-out program rather than a piece of legislation that might not be passed on time.
 - Avoids unnecessary litigation from shareholders.
 - Encourages the banks to bring out all the skeletons in their cupboards.
 - By taking an equity position in each bank, the FGN benefits from the upsides that come with cleaning out the books of the banks.
 - Restores confidence in the banking system quickly.
 - Open and transparent way of calculating the cost of the bail-out.
 - Has no impact on the budget of the FGN therefore easier to sell politically.

THE 2009 BANKING INDUSTRY CRISIS

- ▶ The principal benefits of this approach are
 - Like other countries, we shall leverage the balance sheet of the country to solve this problem. Luckily, for Nigeria, debt to GDP ratio will still be below 20% after this bail-out and after financing the 2010 deficit!
 - Will help lift the market value of shares on the NSE as banking stocks represent over 50% of market capitalization.
 - Hopefully, we shall be handing over the banks to “honest and competent” managers.
 - Will help economic growth as banks can resume lending again quickly.

THE 2009 BANKING INDUSTRY CRISIS

- ▶ Why we prefer this option to the AMC option.
 - Legislation takes time and setting up the AMC will take more time.
 - Bail-out program is a project therefore setting an SOE that will gobble up funding from the budget is expensive. We all know that AMC will not be liquidated in 10 years rather it shall continue drawing funds from the budget.
 - There will be greater pressure nationally on NASS to approve a bail-out program rather than a piece of legislation therefore turnaround time will be quicker.
 - Market will discriminate against bonds issued by the AMC even though it is guaranteed by the FGN.
 - Valuation of loans of loans based on CBN guidelines will be a cumbersome process.
 - AMC wants to issue =N= 250 billion in bonds when we all know that the size of the problem is much bigger.

THE 2009 BANKING INDUSTRY CRISIS

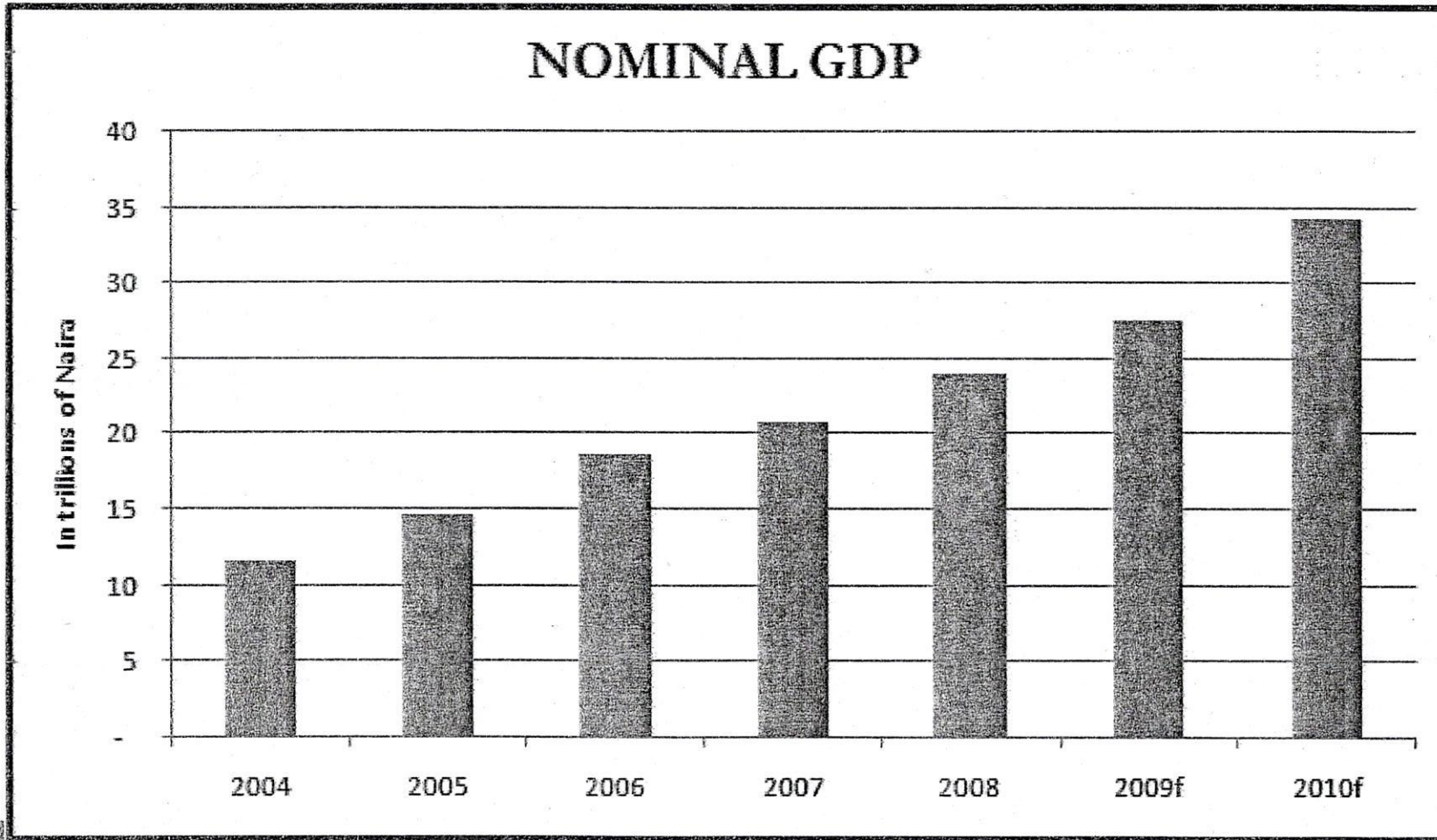
▶ “A speedy restructuring of the financial sector can accelerate the recovery of credit and capital markets and thus support investment and consumption.”

- Dominique Strauss-Kahn
- MD, IMF in The World in 2010

SECTION VII

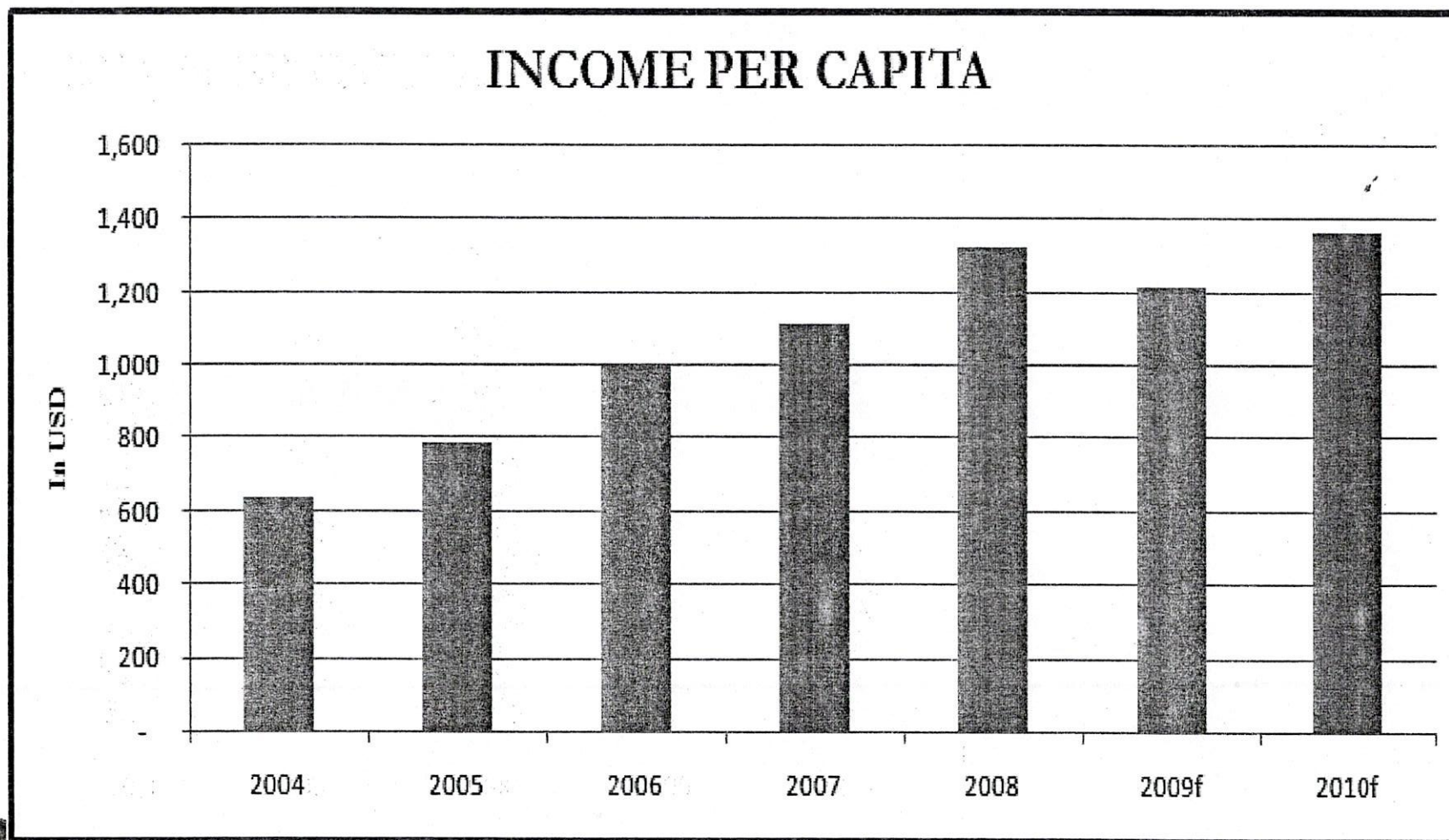
KEY SECTORS OF THE
ECONOMY

KEY SECTORS OF THE ECONOMY



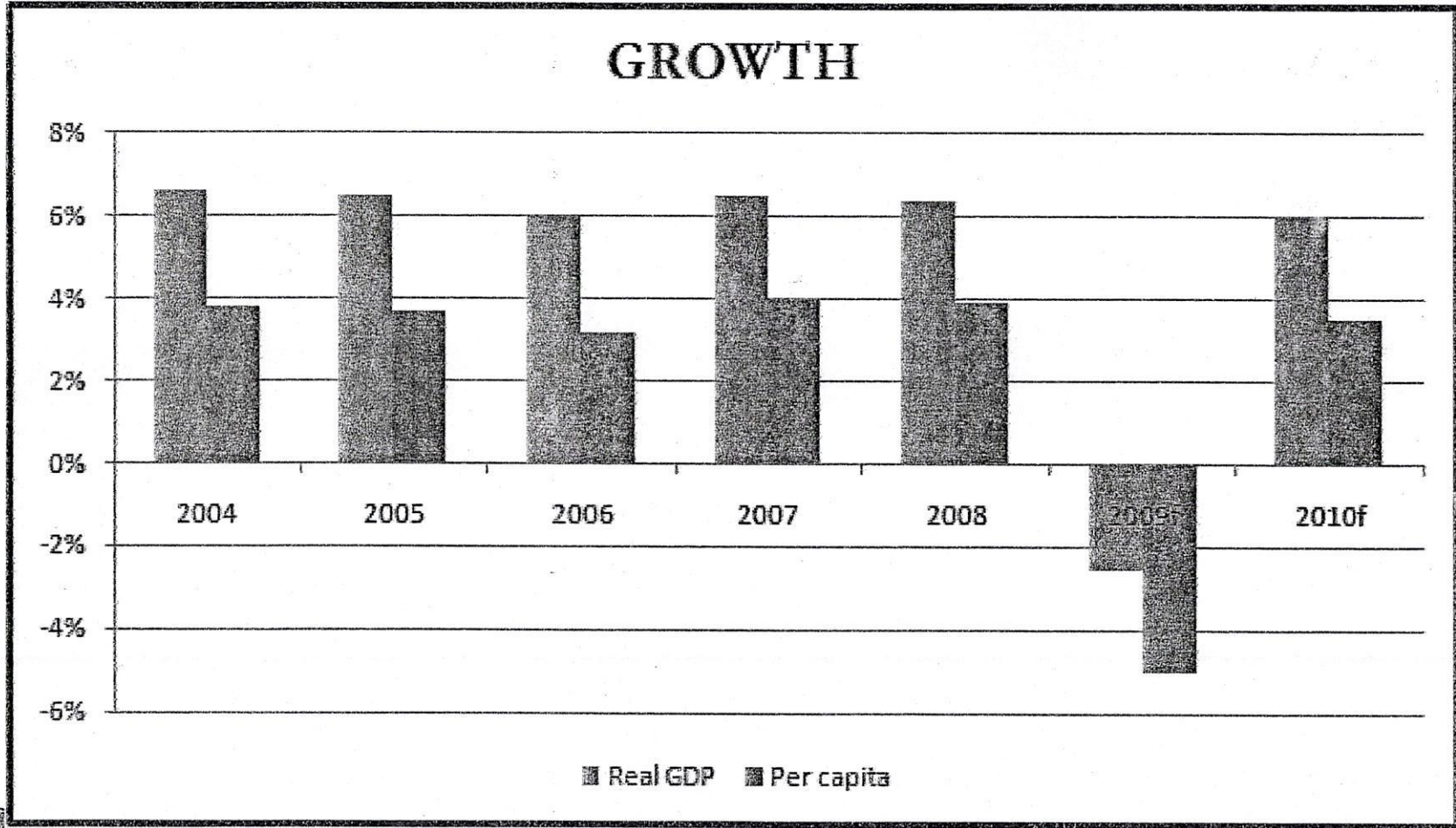
Sources: NBS and estimates

KEY SECTORS OF THE ECONOMY



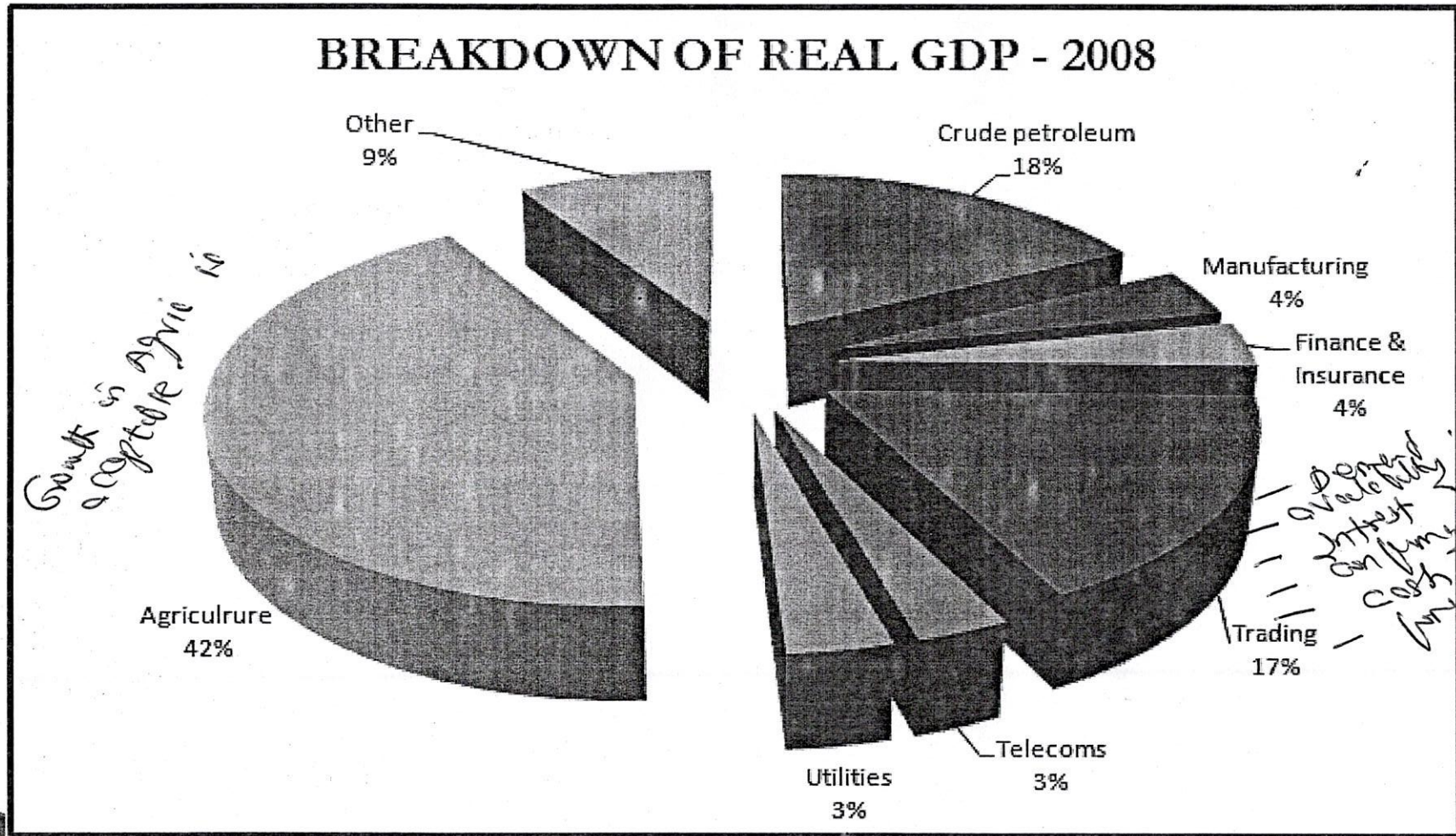
Sources: NBS and our estimates

KEY SECTORS OF THE ECONOMY



Sources: NBS and our estimates

KEY SECTORS OF THE ECONOMY



Sources: NBS

KEY SECTORS OF THE ECONOMY

- ▶ Growth in real GDP should be moderate (4-6% p.a.) with agriculture and oil being the principal sectors that will drive this growth.
- ▶ Trading and manufacturing will hurt because of poor infrastructure, a depreciating currency, high nominal interest rates and weak demand.
- ▶ Finance and insurance should start to recover in 2010 but this sector represents a small fraction of GDP.
- ▶ Telecoms should continue to grow but average revenue per customer will fall and coverage is extended to the rural areas.

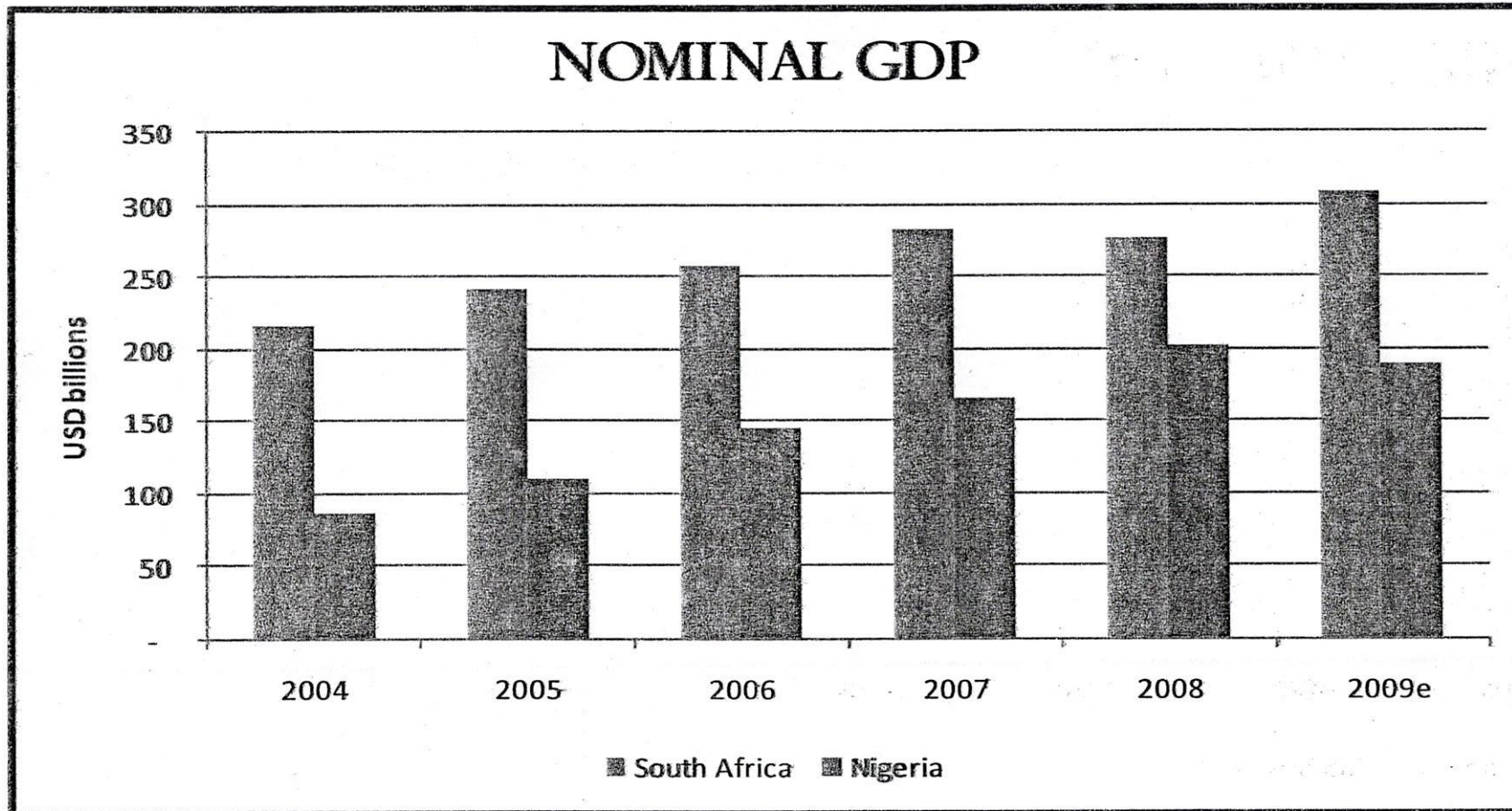
KEY SECTORS OF THE ECONOMY

- ▶ Improvement in power situation.
- ▶ Higher oil revenues.
- ▶ Successful deregulation of the oil and gas downstream sector.
- ▶ Failure of the amnesty programme in the Niger-Delta.
- ▶ If current banking crisis is not resolved in a timely manner.
- ▶ If the run up to the 2011 Elections turns violent.

THINGS THAT MIGHT MAKE
OUTLOOK BETTER

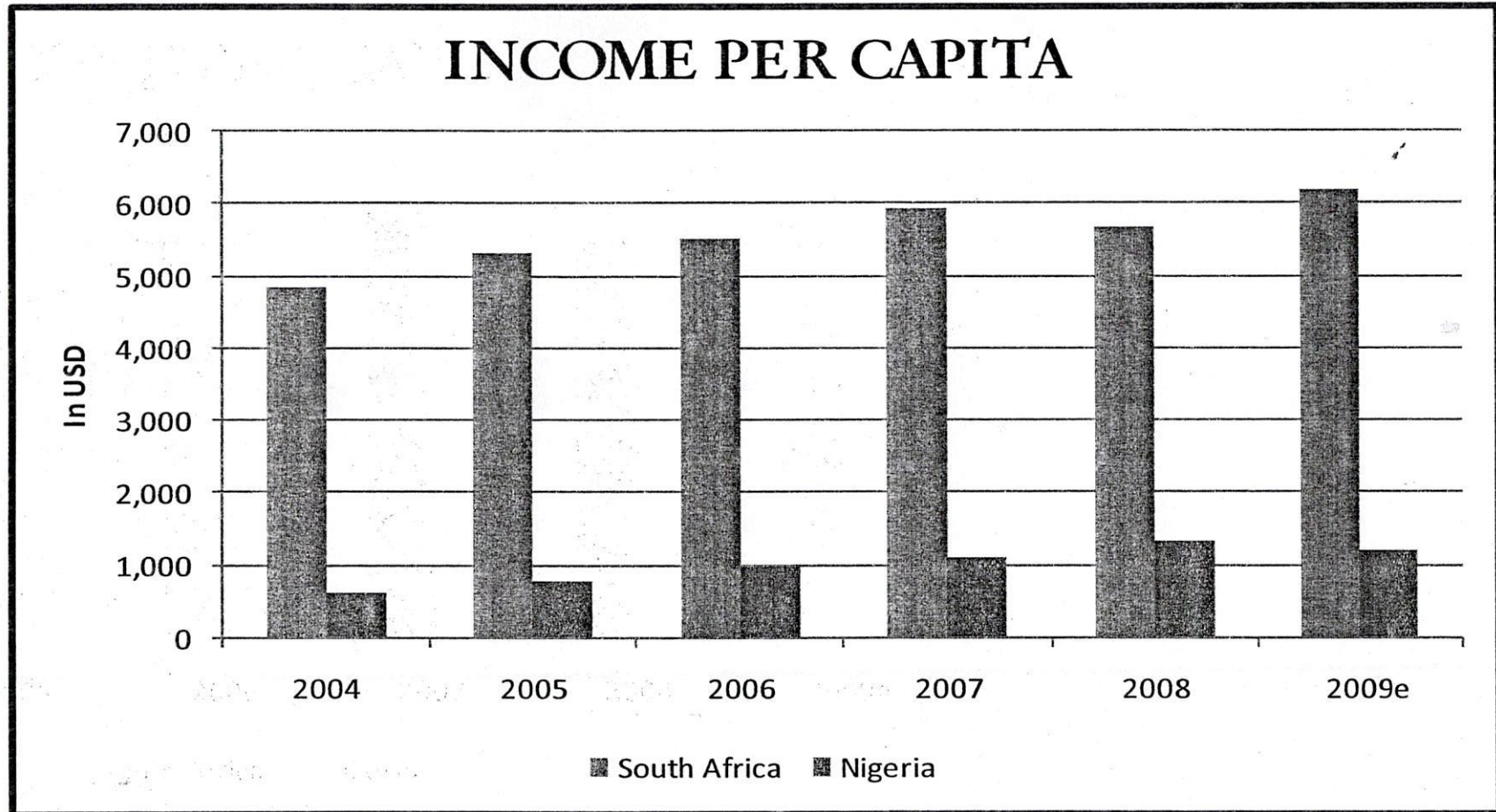
THINGS THAT MIGHT MAKE
OUTLOOK WORSE

KEY SECTORS OF THE ECONOMY



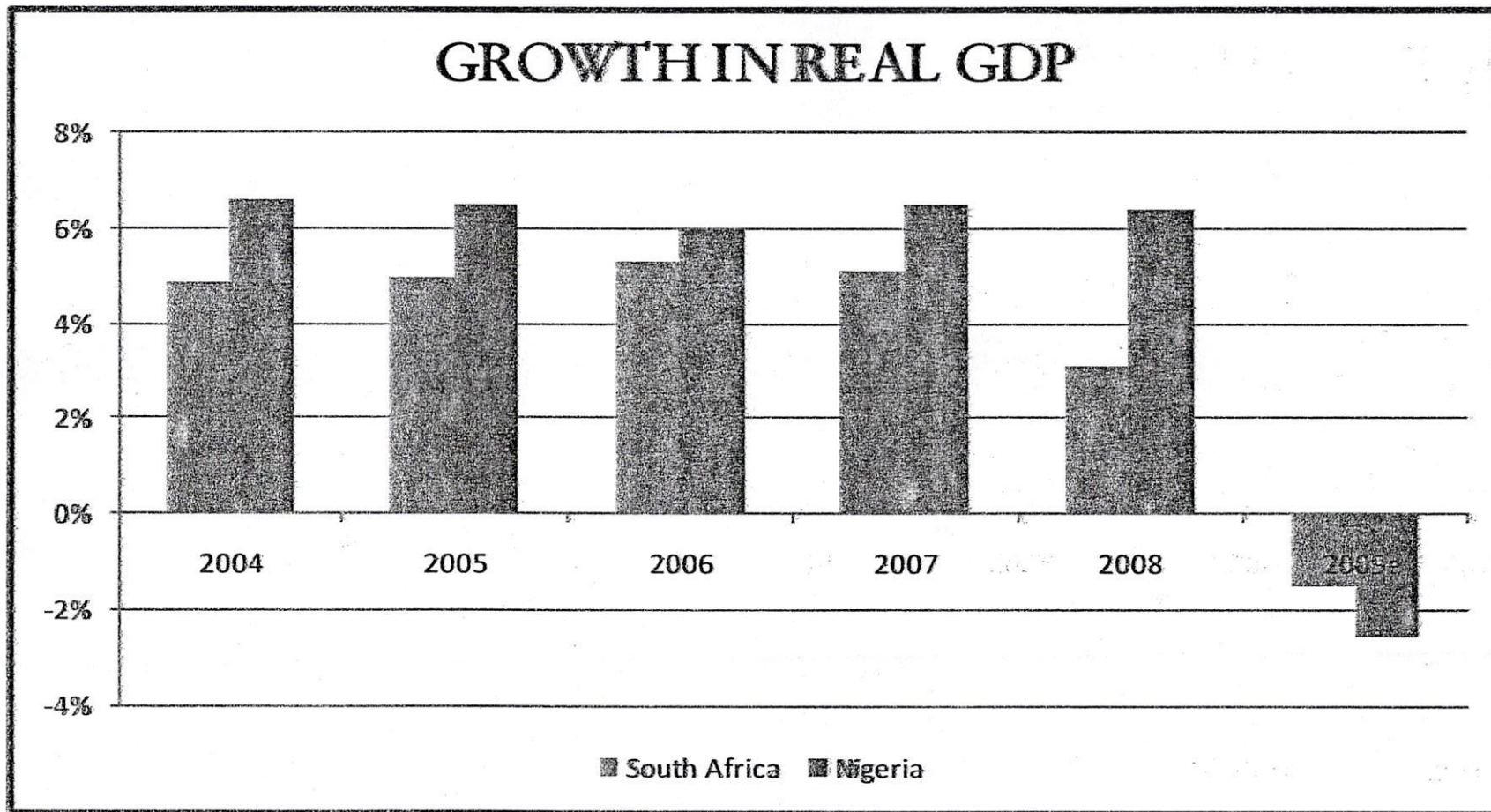
Sources: NBS and ICP

KEY SECTORS OF THE ECONOMY



Sources: NBS and J.P.

KEY SECTORS OF THE ECONOMY



Sources: NBS, SAKO and our estimates

SECTION VIII

THE KEY MARKETS

KEY MARKETS

▶ FOREIGN EXCHANGE MARKET

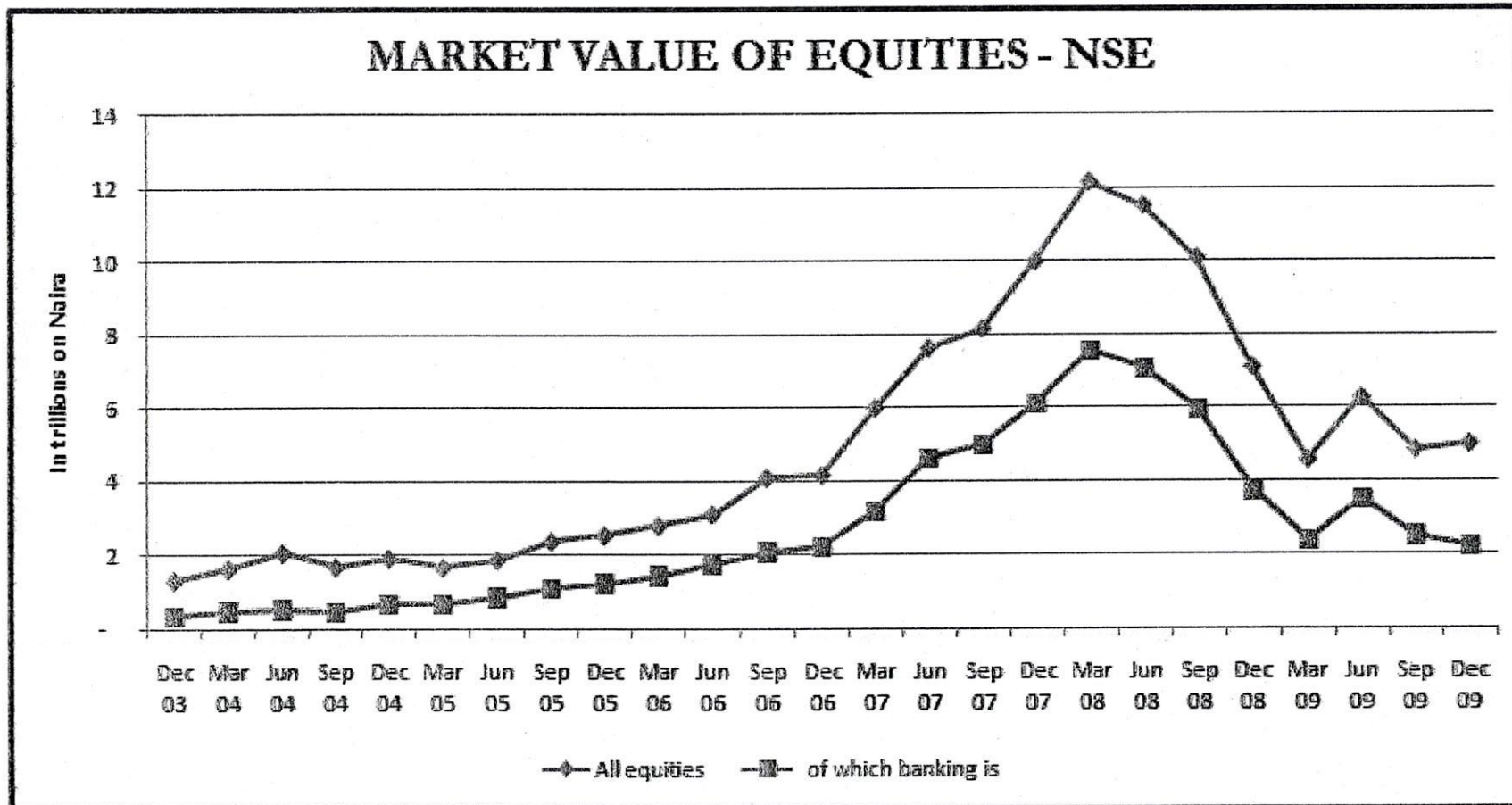
- The CBN will remain the main supplier of foreign currencies (FX) and the solvent and liquid banks will dominate the market.
- The major end users shall be the trading companies, manufacturing companies and the telecoms industry.
- The NGN will continue to depreciate against the major international currencies.
- Do not expect shortages of FX given the large level of the country's external reserves.

KEY MARKETS

▶ FIXED INCOME MARKET

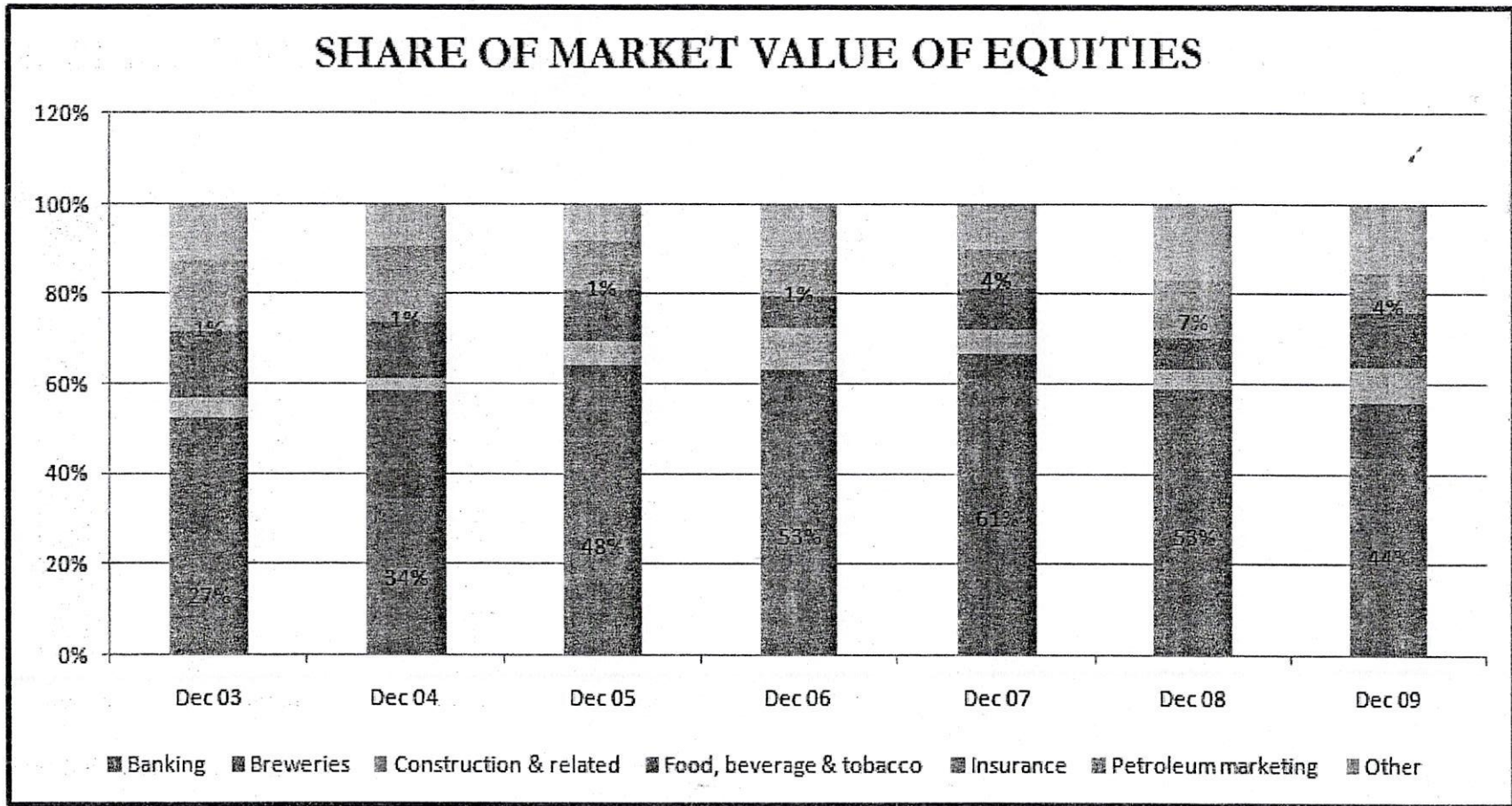
- The solvent banks and the big pension funds will dominate the fixed income market in 2010.
- The bulk of credit will be given to the FGN and the strong borrowers whilst the small and medium sized companies may be starved of credit.
- The FGN should borrow at higher rates to reflect her worsening financial condition but the Aaa borrowers should borrow at lower rates as lenders fly to quality borrowers.
- The yield on fixed income asset will rise and this will be driven large by higher yield in FGN instruments that can be re-priced.

KEY MARKETS



Source: NSE

KEY MARKETS



Source: ICF

KEY MARKETS

▶ EQUITIES

- Banking stocks will continue remain at least half the value of equities listed on the NSE.
- Because it is unlikely that the banking crisis will be resolved in a timely fashion, the stocks will continue to be a drag on the market.
- Price appreciations shown by companies that do well will be dampened by those who still have share they want to dump.
- There will continue to be bargain stocks for the few that have the liquidity to invest and hold for two years.

SUMMARY OF KEY CONCLUSIONS

6-75

- ▶ Average price of crude oil for 2010 is likely to be between US\$ 60 and US\$ 80 per barrel. 6% GDP
- ▶ Fiscal deficit for 2010 will be about US\$ 12 billion, just under 6% of nominal GDP.
- ▶ The fiscal deficit will be financed largely from domestic borrowing and this will add about =N= 1.3 trillion to domestic debt. equl \$6 billion
- ▶ Excess crude savings will be exhausted in 2010.
- ▶ The country's current account is likely to remain in deficit so will overall balance of payments. in 2010

SUMMARY OF KEY CONCLUSIONS

- ▶ Nigeria will continue to lose reserves but her import cover will remain strong.
- ▶ The Nigerian Naira will continue to depreciate against the USD and other major international currencies reflecting the weakness in the current account and pressure to reduce fiscal deficit.
- ▶ End period inflation will be in the region of 13% p.a. and the Aaa rate will be about 15% p.a.
- ▶ It is unlikely that the 2009 Banking Industry Crisis will be resolved in a timely and orderly manner.

SUMMARY OF KEY CONCLUSIONS

- ▶ Therefore credit and capital markets will only show modest recoveries in 2010.
- ▶ Investment and consumption will remain low therefore real GDP growth will be moderate (4 -6% p.a.).
- ▶ The principal sectors that will drive growth in 2010 will be agriculture and oil & gas.
- ▶ Banking should start to recover in 2010 but the gap between the strong and weak banks will widen.
- ▶ 2010 will be another difficult year particularly if oil production stays around the 2009 average of 1.8 mbpd.