Nigeria's Financial & Business Newspaper
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business a.m.
TOWARDS MORE EFFICIENT MARKETS

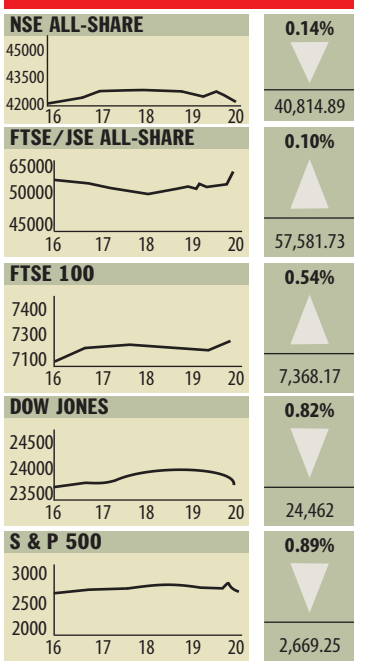
TURNED ON

The "Next Eleven" and the world Economy

On a recent holiday in Vietnam, Cambodia, and Laos, I couldn't resist thinking about these countries' economic potential and ongoing policy challenges.

Back Page

CLOSING INDICES



Summary

MTN commences IPO process

MTN GROUP HAS COMMENCED THE process of its IPO with the appointment of some banks and brokers to help with the listing, including Renaissance Capital, FirstRand Ltd.'s Rand Merchant Bank, Nigerian firm Chapel Hill Denham

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FINANCE & INVESTMENT

Liquidity to sustain T-bills market

THE CENTRAL BANK of Nigeria's policy bias for easing which has improved liquidity in the financial system is seen to sustaining the two-week long positive performance in the treasury bills and inter-bank markets in the near term, according to analysts.

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WORLD BUSINESS & ECONOMY

Apple drags tech lower

AMERICAN STOCKS dropped Friday as a decline in Apple pushed the technology sector lower. A rise in interest rates also kept a lid on equities.

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TECHNOLOGY & INNOVATION

Facebook's damage control drive

FACEBOOK'S ATTEMPT TO LIMIT fallout from a massive data breach hit trouble in Germany on Friday as a privacy watchdog opened a case against the social network

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COMMODITIES & AGRICULTURE

IPPC to help cut $220bn loss

THE INTERNATIONAL PLANT Protection Convention (IPPC), a body saddled with the protection of global trade in plants and plant products, has introduced new standards to eliminate the spread

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COMMENT

Surmounting cotton hurdles

AFRICA'S TRADE RELATION with the rest of the world, as it is presently, is awkward. It got worse in recent times, particularly in the manufacturing sector due to some powerful external factors. China's highly competitive manufacturing sector has devastated many smaller-scale rivals across Africa

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N250
No 012

Gas operators lose 18% income to regulated pricing

STEVE OMANUFEME

THE NIGERIAN GAS market is in dire need of market reflective pricing as operators lose sleep over their loss of an average 18 percent of their investment to overregulation in the sector, according to Dada Thomas, managing director of Frontier Oil Limited and serving president of the Nigeria Gas Association (NGA).

In an exclusive interview with business a.m. in Lagos, Thomas noted that apart from contending with delayed and oftentimes non-payment by government-owned plants, operators suffer losses due to pegged prices and foreign exchange risks.

He said their investments are quoted in dollars but government stipulates that payment on their receivables are done in naira with the CBN exchange rate and have to convert to dollar via the parallel market.

"Our gas contracts are actually in U.S. dollars; the invoices are issued in U.S. dollars but we are being paid in naira. That wouldn't have been bad if we are not being paid at the CBN rate, which is now N305. But when we want to buy dollars to repay our loans we have to go to the market and the market rate is N365. So we end up losing N65 for every dollar of gas we sell," he said, adding that in 2016 operators lost up to N200 for every dollar of gas sold.

"Remember the market went to N510 and CBN was N305, I was going crazy then because I was losing 40 percent of my income, essentially. Today we are losing 18 percent of our income, which is not a fair thing," he lamented.

He pointed out that the foreign exchange risk exposure that the gas suppliers are bearing on behalf of the gas-to-power sector is not fair.

"Why should we invest dollars and be paid in naira and suffer an 18 percent value erosion. The fair thing would be that the government would allow us to access dollars at the same exchange rate at which we are paid or make an exemption and pay us in dollars," he queried.

Thomas noted that operators are only suing for equity in their transactions.

"Why don't you just pay us at the market rate rather than CBN rate. So if I'm paid at N360, I will also go and buy dollar at N360, so I am not suffering any exposure. We are just saying that we need equity in our transactions."

The NGA president said another major challenge for the domestic gas market is the fact that 80 percent of Nigeria's domestic gas is used by the power sector, which has

Page 2

L-R: Patience Oniha, representative of the minister of finance and director-general, Debt Management Office (DMO);Edward Parker, managing director, Fitch Ratings Agency and Paul Gamble, senior director and head of emerging Europe sovereign and supranational group, Fitch Ratings, during a meeting between Nigeria and officials of Fitch Ratings at the World Bank headquarters, Washington D.C. on Thursday, 19th April, 2018

MONDAY INTERVIEW

Nigeria gas, power illiquid

You are correct; Nigeria has 192 trillion standard cubic feet of gas which is the largest in Africa but domestically we are not really using that gas as best as we ought to been. But for export, we have done reasonably well with the Nigeria LNG project, which is a world-class company.

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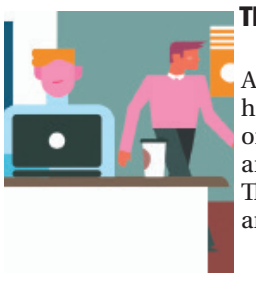
EXECUTIVE KNOWLEDGE SERIES



Three Ways to Make Organisation Agile

AGILE, THE FLEXIBLE way of working, has spread from software development to organisational change – for small start-ups and even large, traditional organisations. The Agile software methodology is iterative and collaborative

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Gas operators...

Page 1

been privatized in theory without proper implementation, since the Discos who are the people that all consumers interface with are not getting enough electricity to sell, adding that the price at which they are selling electricity is not market reflective.

"I don't like the word, cost reflective. I prefer market-reflective because if you say cost reflective, that means I can build up my cost anyhow, and then say my cost is this and you have to pay. But market reflective means you go for efficiency, so there would be 5 to 10 players and you go with the most efficient," he noted.

He pointed out that the Discos are not selling enough power and they are not collecting efficiently, which, according to him is their fault. He equally noted that collection efficiency has dropped drastically in Nigeria from 60 percent in the days of NEPA to under 30 percent presently.

According to him, the Discos are not collecting enough money to remit to the transmission company, to pay the generating companies, to settle the transportation companies that transport the gas, and to pay the gas suppliers, "the poor guy who is the foundation of everything."

"So the sector is completely uneconomic and illiquid right now," he said, an outcome of which is the more than N250 billion debt in the power market.

"As we speak, the debt is growing and is killing us.

He noted the federal government intervention last year when it initiated what is called the payment assurance guarantee scheme whereby NBET via the CBN will pay power generating companies and the gas suppliers their due gas invoices starting January 2017 and ending December 2018.

He however doubted the initiative effiency, querying what happens after the scheme ends in December 2018. What would happen in January 2019? Would the power sector issues have been resolved such that electricity tariff is market reflective? Would collection efficiency have increased? Would the DisCos have rolled out metering so that they are actually improving and they know what to bill the consumer? Would they remit enough revenue to the transmission company, generating companies, gas transportation companies and gas suppliers? Would they send enough money to sustain the entire sector? He asked.

"So there is great doubt," he said, adding: "As we sit, that payment assurance guaranty scheme by NBET and CBN has only paid up to August 2017, so there are 7 months of unpaid invoices, while interest is piling up. I can't pay my debt, it is not a sustainable model, what should happen is that they should be up to date, they should have paid up to February invoices."

He added: "If I sell you goods, you have a shop and I have a factory, and I give you 30 days credit, you come and collect my goods, and go and sell it, in 30 days, you sell and put money in my account, you are not doing me a favour by putting money in my account, you are meeting your contractual obligations, which allows me to continue to supply you with goods. That is not what is happening in our sector therefore it is very challenging for people to continue to invest in the Nigerian domestic gas market."

MTN commences IPO process, selects financial advisers, brokers

business a.m.

MTN GROUP HAS COMMENCED THE process of its IPO with the appointment of some banks and brokers to help with the listing, including Renaissance Capital, FirstRand Ltd.'s Rand Merchant Bank, Nigerian firm Chapel Hill Denham, Vetiva Capital to work with global co-ordinators Citigroup Inc. and Standard Bank Group Ltd.

According to Bloomberg, the financial institutions selected to handle the IPO which is scheduled for June or July this year include:

According to reports, MTN intends to raise $400 million from the Initial Public Offer (IPO) of its Nigerian unit between June and July this year. An IPO is the first time a company sells its shares to the public on a stock exchange.

MTN agreed to the listing in June 2016 as part of a $1 billion fine for missing a deadline to disconnect unregistered subscribers in the country.

The penalty, originally set at $5.2 billion, led to the resignation of MTN's then chief executive officer, a first-ever full-year loss and a slump in the share price that's yet to be clawed back.

As part of the IPO it would split one share into 50 units, to create 20 billion shares, which would be listed on the exchange and set the IPO price via book building.

Book building is a valuation approach where the price of a stock or security is determined by investors who table the price they want to buy the asset for, and the quantity they want to purchase. The sum of all the orders and the value is then used to determine the average price.

MTN Group recently met with Yemi Osinbajo, the Vice president, and assured the government of its commitment on the planned IPO and diversification of shareholding to Nigerians.

Nigeria UPS system market projected to grow at a CAGR of 4.7% in 6yrs

NIGERIA'S UNINTERRUPTIBLE POWER supply (UPS) systems market is projected to grow at a CAGR of 4.7 percent between the years 2018-24.

The projected growth in the country's economy on account of significant emphasis on the telecommunication sector, healthcare industry, transportation and commercial sectors are expected to drive the demand for UPS systems, where UPS systems are required to attain seamless operational support during severe processes.

This was contained in the 140-page report, "Nigeria Uninterruptible Power Supply (UPS) Systems Market (2018-2024): Market Forecast by KVA Rating, by Applications, by Regions and by Competitive Landscape," released over the weekend by Research and Markets, the world's largest market research store.

The report stated that Nigeria is projected to witness healthy growth in the commercial and industrial sectors in coming years under the Nigeria Vision 20:2020.

Under the vision, the country hopes to consolidate its leadership role in Africa and establish itself as a significant player in the global economy and political arena over the coming years, further increasing Internet penetration, deployment of ATM machines across the country and increasing number of private health facilities in Lagos, Abuja and Port Harcourt would also help to drive the market with good pace.

Nigeria Vision 20:2020 is set to be a major development plan for the country to accelerate growth of commercial and industrial sectors over the coming years. Further, vision 20:2020 aims to achieve stability in social infrastructure, energy sector, small and medium enterprises as well as manufacturing sector and government services of the country. These initiatives would offer several opportunities in the commercial and industrial sectors of the country over the coming years and would strengthen the market for UPS systems in Nigeria as these systems are required to provide seamless power support in such segments.

Ismaila Zakari (sitting left), president of Institute of Chartered Accountants of Nigeria (ICAN); Aderemi Atayero (sitting right), professor and vice chancellor, Covenant University, signing a Memorandum of Understanding between ICAN and the university, while John Evbodaghe (standing left), ICAN registrar, and Olumuyiwa Adedayo, registrar, Covenant University, watch with admiration.

AfDB organizes workshop on strengthening legislation to curb illicit financial flows from Africa

business a.m.

THE AFRICAN DEVELOPMENT BANK will hold a Workshop on Strengthening the Role of Parliament in Combating Illicit Financial Flows from Africa (IFFs) from April 24 to 26 April 2018 in Abuja.

Since the approval of the Bank Group's Policy on the prevention of illicit financial flows and its accompanying Strategic Framework and Action Plan in April

2017, the Bank has organized and/or participated in a number of conferences and workshops aimed at building the capacity of regional stakeholders to combat illicit financial flows.

The workshop will address the challenges and difficulties faced, and the good practices adopted, by experts and practitioners in African countries in their fight against illicit financial flows and in recovering the proceeds of crime from criminals, and the role that parliamentarians can play in facilitating the work of the practitioners.

Participants at the workshop will include Parliamentarians from the Bank's regional member countries (RMCs), as well as national and international experts and practitioners in the field of taxation, financial crimes, and Financial Intelligence Units, among others, who are central to the Bank's work on illicit financial flows.

The workshop's expected outcomes include widespread awareness among parliamentarians on their role in combating Illicit Financial Flows from

Africa; the role which they can play in translating the key recommendations of the HLP Report on Illicit Financial Flows into laws that respond to specific needs of their countries; and generation of ideas on how to initiate and/or deepen cooperation and synergies among parliamentarians on IFFs in the Banks RMCs.

The workshop's expected outcomes include widespread awareness among parliamentarians on their role in combating Illicit Financial Flows from

business a.m. GTI

fid Finance & Investment Dialogue

Theme:

Technology Disruption in Financial Services Sector:

How prepared is the Nigerian Market?

Guest Speaker

Dr. Yele Okeremi is the Managing Director/CEO of Precise Financial Systems Ltd and a leading icon in software development in Nigeria, having been honoured with the IT Personality of the Year 2017 by the Nigeria Computer Society and membership of the Presidential Initiative for developing the software industry in Nigeria. A Microsoft Certified Systems Engineer, he has a Doctor of Business Administration degree from the Swiss Business School, Zurich, Switzerland, a Masters of Applied Business Research from the same institution; a BSc. in Computer Science (With Economics) from the Obafemi Awolowo University, and a MBA. He is an alumnus of the Wits Business School, Johannesburg, South Africa and the prestigious Harvard Business School, Boston, Massachusetts, USA.

Before PFS, Okeremi was at Inlaks Computers, then Industrial Bank Limited (Merchant Bankers) as a Programmer/Analyst; and left Industrial Bank as Chief Information Officer. He then joined Ventura Savings and Loans Limited as Head, Systems and Logistics, a position he held until 1994 when he founded PFS with Philip Ayeni, a Chartered Accountant.

Venue: Central Business District Marina Lagos | Nigeria.

Date: 26th April, 2018 **Time:** 8.00 am

Seats: Limited, targeted invites only

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MDBs launch new platform to coordinate support for economic migration, forced displacement

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SEVEN MULTILATERAL development banks (MDBs) launched a new platform to enhance their collaboration on economic migration and forced displacement Friday, April 20, 2018 on the margins of the IMF-World Bank Group Spring Meetings.

The development banks include African Development Bank (AfDB), Asian Development Bank (ADB), World Bank Group (WBG), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IADB), and Islamic Development Bank (IDB)

The platform seeks to advance strategic dialogue and operational coordination to maximize the impact of MDBs' growing engagement in these two areas.

"While economic migration and forced displacement are distinct issues and require a different response, each has emerged as a complex development challenge. There are an estimated 250 million international economic migrants worldwide, and roughly 66 million people are forcibly displaced as refugees or internally displaced persons fleeing conflict and persecution," according to a statement from the AfDB.

The new platform is said to represent a strong effort by MDBs to enhance cooperation to address these challenges, in response to a request made by the G7.

After presenting a strategic framework for action at the G7 meeting in Bari, Italy, in May 2017, MDBs worked closely together to prepare specific initiatives under the new platform.

"Cooperation is ongoing. Since the platform was first announced in October 2017, MDB representatives have met several times to discuss respective approaches, results, and challenges. Four priority areas where there is high potential to increase impact have been identified to serve as the focus of the platform in the initial phase: Refining the common framework for MDB engagement; advancing cooperation on knowledge, evidence, and data; ensuring strategic coordination on priority topics in coordination with governments, UN, and other partners; and deploying better-targeted instruments and products," the statement read.

The platform launch was attended by representatives of all participating MDBs, as well as G7 deputies and strategic partners including the European Commission and UNHCR.

Akinwumi Adesina, president, African Development Bank said, "Building resilience for fragile communities is critical to reducing economic, social and political exclusion. People may live in fragile communities, but they have hope and aspirations that cannot be extinguished.

"The African Development Bank has been investing heavily in fragile states in Africa, helping to build education, strengthen institution, and provide critical infrastructure, especially electricity, water and sanitation. We are delighted with this new platform which will allow us to work with other multilateral development banks, using fragility lenses to drive inclusive development."

Ingrid van Wees, vice-president for finance and risk management of the Asian Development Bank said, "The platform's aim of fostering strategic alignment and operational coordination among MDBs is in line with ADB's principles of partnership and collaboration with multilateral institutions and member countries. We look forward to participating, to learning from the experiences of others, and to helping develop impactful responses to these urgent development needs."

Sir Suma Chakrabarti, President of the European Bank for Reconstruction and Development said, "Migration is one of the biggest global challenges. It is crucial to continue enhancing MDB coordination to provide economic help for refugees, particularly, and the countries which host them."

Werner Hoyer, President of the European Investment Bank said, "The challenge of forced displacement and economic migration is a shared challenge- and a shared responsibility. That's why the European Investment Bank is committed to making this new platform a success. The world's Multilateral Development Banks can make a real difference through financing opportunity and key services - but only if we work together."

Luis Alberto Moreno, President of the Inter-American Development Bank said, "Migration and forced displacement are two issues very relevant for countries in Latin America and the Caribbean. We are actively working with our member countries to tackle the root causes of unsafe migration, particularly, from Central America by accelerating economic development, improving public services and strengthening relevant institutions. This platform provides a unique opportunity to join forces and learn from other experiences."

Bandar Hajjar, President of Islamic Development Bank said, "We are expanding our operations by getting closer to our member countries so that we can strengthen the support we provide to the people in need, especially displaced people and economic migrants. The e-education strategy for Syrian refugees initiated by IsDB is one of the efforts of the bank to build capacity among economic migrants. Earlier this month, we have launched a US $500 million fund (Transform) that will provide access to resources for SMEs and innovators. This fund would help address the challenges faced by displaced people. This is in addition to our partnership with TWAS to help refugee scientists."

Kristalina Georgieva, chief executive officer of the World Bank said, "The world is becoming richer and more fragile at the same time. We at the World Bank Group are committed to supporting displaced people, migrants, and the communities that host them, and to multiplying our impact by working more closely with other multilateral institutions."

L-R: Emeka Anyaoku, former secretary-general of the Commonwealth; Aminu Waziri Tambuwal, executive governor, Sokoto State; Ernest Ebi, chairman, Fidelity Bank Plc; his wife, Elizabeth Ngozi Ebi; Ike Nwachukwu, former minister of external affairs; Nnamdi Okonkwo, managing director/chief executive officer, Fidelity Bank Plc, at the conferment of the 2017 Zik Award for Professional Leadership on Ebi at the Civic Centre, Victoria Island in Lagos recently

Central bank governors see rising rates as most significant risk in 2018

Business a.m.

GOVERNORS OF CENTRAL banks globally see rising interest rates as the most significant risk they would face in 2018, with overvalued asset markets and the unwinding of quantitative easing (QE) also of concern.

This is a key finding in a new survey of 79 reserve managers responsible for $5.5 trillion or 54 percent of the world's total reserve assets.

Sixty per cent of respondents, 41 central banks, said they saw rising interest rates as the most significant risk they face in 2018. In response, many are looking to shorten duration on their largely fixed income portfolios.

Christian Deseglise, global head of central banks, sovereign wealth and public funds at HSBC

According to a statement from Central Banking, the publishers of the book, the survey questionnaire was sent to 130 central banks in February 2018 and replies were received from 79 reserve managers by end of March, adding that the average holding of respondents was just over $69 billion.

Breakdown of the respondents by geography and economic development indicate that 15 governors responded from Africa, representing 19 percent of the total 79 respondents.

The survey findings, which are released at the weekend, form the first chapter in the book, HSBC Reserve Management Trends 2018, which is published on Monday 16 April by Central Banking Publications and sponsored by HSBC.

Furthermore, reserve managers are increasingly optimistic about the official sector investing in renminbi, with 29 participating governors, managing reserves worth $570 billion, estimating that China's currency will account for 10-20 percent of reserves by 2020.

Commenting on the survey, Christian Deseglise, global head of central banks, sovereign wealth and public funds at HSBC said central bank governors have highlighted rising interest rates as their primary concern in 2018. This result reflects the challenges of managing portfolios that are mainly held in government bonds.

"The survey confirms the continued momentum of the renminbi. Respondents on average predicted that it will reach 8.5 percent of global reserves by 2020 – which would represent a very large increase from the latest IMF published level of 1.2 percent as at end 2017," he noted.

"These results highlight the growing integration of environmental, social and corporate governance (ESG) criteria into investment management. Ten percent of respondents already employ ESG policies, and a number signaled their intention to incorporate ESG principles into new and existing portfolios. Significantly, Banque de France last week released a responsible investment charter covering its own investments," Deseglise added.

He said having a global view, which is not only addressing challenges but also seizing the opportunity is more crucial than ever, HSBC is well placed to advise central bank governors on these tasks.

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10 x 4 Cols	N335,664.00	N208,320.00	N173,628.00
10 x 3 Cols	N243,096.00	N185,220.00	N150,528.00
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2 x 2 Cols	N32,424.00	N16,212.00	N13,944.00
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EDITORIAL

The economy is still the issue

BY MAY 29, WHICH is about a month away, this government will do two things. It will celebrate its full three years in office. It will then go on to begin a countdown towards the end of its first full term in office.

It is true that as a government it is working assiduously to return for a second term; all its old and young men and women are putting hands and heads together to ensure that this happens.

You cannot take that away from these individual men and women, who are working to see that government does not change hands. Everyone in their position would do the same. Who doesn't want to keep on being powerful and or walking the corridors of power? I am sure many, many do.

But our concern is with the economy. It is not that we do not care about the politics of the country; it is just that we think that politics is only a tool to get into government, where you'll meet complex national issues, chief of which is dealing with the economic well-being of your citizens.

It is the reason why we have said here before that after the politics, then comes the economics; and that this should become the consuming passion of a leader and his team.

It is on the basis of the performance of the economy that, where genuine, true democracy is practised, citizens assess their leaders and, either commend or condemn them.

But everything is not war. We are not saying this is a politics versus economics battlefield. We are simply saying that politics finished three years ago, and that managing and running the economy should have started three years ago. Unfortunately, politics never stopped. As a result, economy suffered and is still suffering for it.

It is for this reason that many say the last three years have been very difficult, economically. There are those who have found it harrowing. There are those who have felt left out, in fact millions have felt left out. And we are not talking about politically inclined types, but very apolitical people who do not wish to come near politics.

Yet, too, there are those who would say things have not been difficulty. And those who would say we have to endure this hardship before things can get better. We think this to be true. But it needs to be contextualised.

This government has given Nigerians many reasons for why things have been difficult. But it has also given itself a path on the back because it considers itself to have done well, if you go by what the retinue of spokesmen and spokeswomen, as well as principals, say under the circumstance.

In an ideology-less environment it is often difficult to clearly find parameters to measure the behaviour of government, especially for a financial newspaper like this. The confusion is so strong that if they asked us where government stands on many economic issues that affect people's lives and business, we would not be able to tell.

Our inability to tell clearly is the result of the failure of those who have responsibility for government economic actions to be clear about the central principles guiding the actions they appear to take on our behalf; and for which we are forced to live through, whether we like it or not.

We are probably not clear about this because either they think we don't deserve to know or, as it is usually the case, ours is an arrogant world where leaders owe nobody anything, not even an explanation for wrongheaded actions. And this is so long as they can sustain themselves on the revolving chair for all of the time allowed by law.

We know that government after government in this country likes to live in self denial. Government acts as if all is well all the time and they believe that they are God's gift to Nigerians, even when they are offering blatantly poor service.

But we know that across the length and breadth of the country, the message is that all is not well. Expectations have been shattered; hopes have not been restored, not even in half measures. Nobody offers himself or herself up to take any blame for failure. Why would they? After all, they say they are the best thing to happen to us in such a long time. And that's even when government plays no role in our lives, in whatever way you might think.

As we march towards the election year, we ask for a little bit of economic hope; one that helps to reduce the pain, not only of the individual Nigerian that we talk to in the course of producing this newspaper, but also business, which feels disconnected from all that is going on in this country, because government wears a garment of hostility when relating with it. A friendly disposition towards business and a partnership with business can turn things around for this economy.

Surmounting the hurdles in Africa's cotton and textile industry (2)

OLUKAYODE OYELEYE

Oyeleye, a policy analyst, journalist and veterinarian, writes from Abuja

AFRICA'S TRADE RELATION with the rest of the world, as it is presently, is awkward. It got worse in recent times, particularly in the manufacturing sector due to some powerful external factors. China's highly competitive manufacturing sector has devastated many smaller-scale rivals across Africa, Asia and Latin America in the course of implementing Beijing's global strategy and pursuit of global ambitions, with growing dominance in global trade. The recent launch of One Belt One Road (OBOR) was a bolder and more overt step in legalising China's expansionist programme which seeks to legally expand the frontiers of Chinese trade globally. Although it is being marketed on the economic front, it may well be a veritable prelude to a political façade.

In the cotton-textile-apparel sector, Africa's competitiveness is low. The African textile industry holds the short end of the globalisation stick and so loses out in the struggle with more potent outside economic forces. Nigeria has been particularly hard hit. Following the ripple effects of the damage done by pernicious economic policies of structural adjustment some three decades earlier, the Chinese contraband had so thoroughly captured the Nigerian market that it would be impossible for the Nigerian operations to compete.

The tide of fake Chinese-made textiles has risen so high that it could no longer be hid and has turned destructively against Nigeria. At a point in the past, Chinese fabrics fraudulently labelled "Made in Nigeria" used to be a hidden international trade. Not so anymore! From the Chinese factories, imitations of what Nigerians previously produced for themselves are churned out. These fabrics make their way to West Africa's ports, particularly near Nigeria from where they undergo trans-shipment by smuggling into Nigeria in a trade estimated to be worth about $2 billion a year, equivalent to about a fifth of all annual recorded imports of textiles, clothing, fabric and yarn into the whole of sub-Saharan Africa.

In the context of OBOR, is China's dominance in the textile product business not likely to increasingly put Africa in general and Nigeria in particular at a greater disadvantage, further eroding the chances of continent's textile industry's recovery? Smuggled garments are bad news for the Nigeria's textile industry. Imports comprise 85 per cent of the market, despite the fact that importing textiles is officially considered illegal. The World Bank has estimated that textiles smuggled into Nigeria through Benin are worth $2.2bn a year, compared with local Nigerian production that shrank to $40m annually. According to a team of experts working for the United Nations, in 2009, "The Nigerian textile industry is on the verge of a total collapse." What verdict would a review of the industry now yield, a decade after?

The reality now is that about half of the million farmers who used to grow cotton to supply textile mills no longer do so. Many have switched to other crops. With a rising rate of unemployment and a swelling labour market, formal jobs in Nigeria are scarce and precarious. Each textile employee supports about half-a-dozen relatives. The Nigerian economy occupies a prominent niche and takes a huge share of the African economy, and greater still when considering West Africa. Nigeria is thus seen as a microcosm of Africa in various socio-economic ramifications.

Nigeria was not in isolation in the de-industrialisation blight that swept through Africa. Measured as a share of the overall output of the combined African economy, the fall of manufacturing from 15 per cent in 1990 to 11 per cent in 2008 pushed countries that have started to industrialise into reverse process. Historically and in contemporary times, Nigeria's main industrial predicament remains the poor electricity connection to the factories. Nigeria reportedly produces only half as much electricity as North Korea. The crippling cost of electricity makes Nigerian textiles expensive to produce.

The government's attempt to support the Nigerian textile sector by banning imports remains futile and ineffectual. The textile industry was a significant non-oil sector of the economy, which provided direct and indirect employment to the masses. Besides, varied and thriving economic activities were witnessed within the textiles gates and around the host communities. The sector was such a boom that it was rated the second largest in Africa after South Africa.

Cotton used to have a huge share in the estimated $3 trillion global textile industry. Sometimes ago, Nigeria was feeding the domestic textiles with as much as one million tonnes of locally produced cotton. Nowadays, however, the quantum has reduced drastically. In the pre-SAP 1980, cotton turnover in Nigeria was worth N8.9 billion, which represented 25 per cent of the National Gross Domestic Product (GDP), mostly from manual, small scale farmers. Sadly, it slumped to only N300 million in 2012.

The concomitant effects on the ginning sub-sector were equally worrisome as only 26 out of 52 ginneries in Nigeria are currently operational. From global assessment, a report by International Cotton Advisory Committee (ICAC) (2006/2007) showed that Nigeria had 51 ginning companies but only 17 were fully operational with 33 per cent ginning capacity utilisation and approximately 250, 000 cotton farmers.

> The concomitant effects on the ginning sub-sector were equally worrisome as only 26 out of 52 ginneries in Nigeria are currently operational

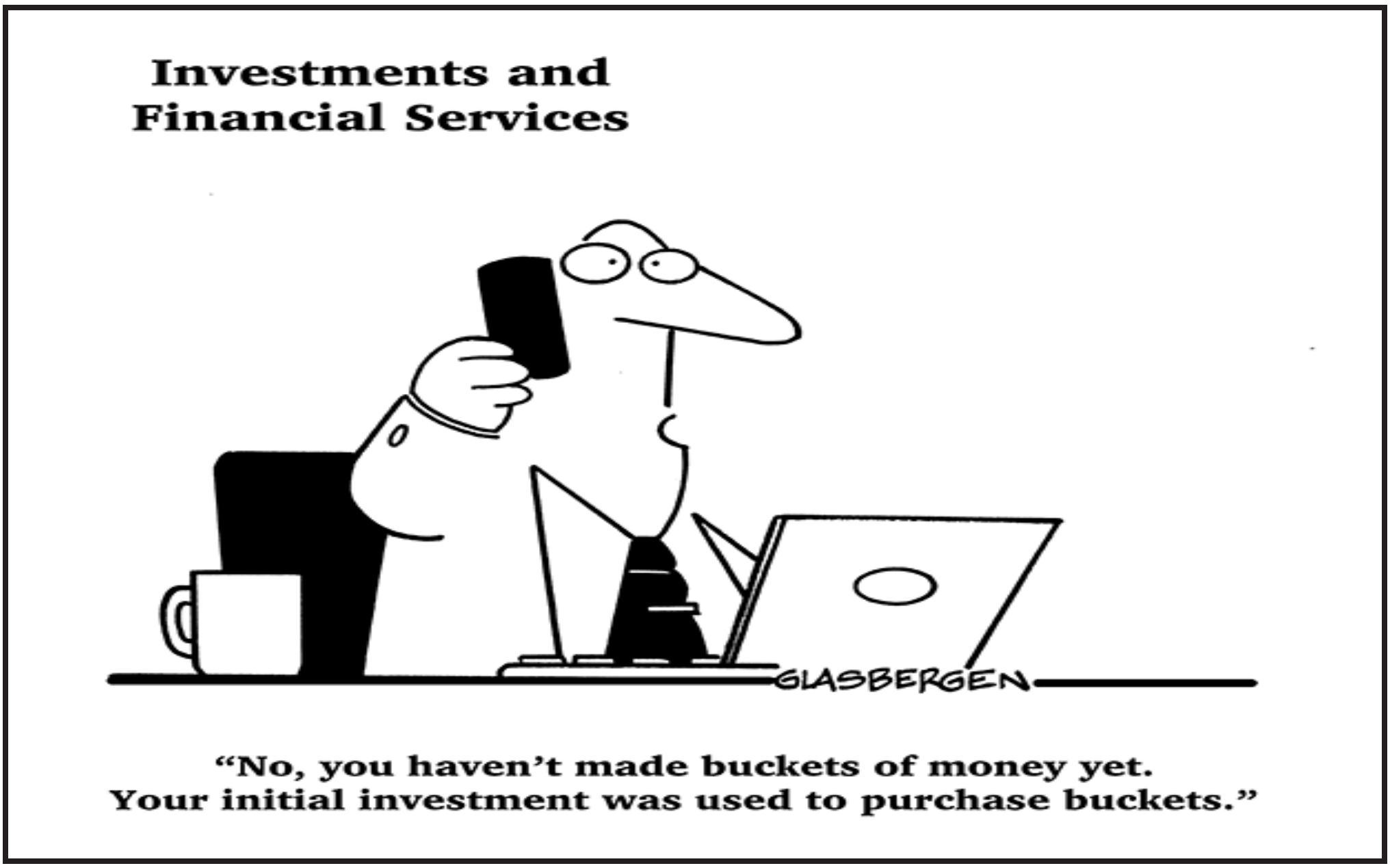
Recent reports indicate that the number of registered cotton farmers has dwindled to about 67,000. However, the ICAC 2016 data released December 1st showed that Nigeria now produces 51,000 metric tonnes of cotton on 253,000 hectares with average yield of 202 kg per hectare only. Miserable, isn't it? But the grim statistics were a result of a combination of manual operations rather than mechanised, poor quality and low-yielding varieties of planting materials, insignificant irrigation support and climate change impact on production.

Like in some other countries that took the structural adjustment pills of economic reforms, Nigeria made the strategic blunder of dismantling the Cotton Marketing Boards with no sustainable substitute afterwards. Nigeria spends $4 billion (about N1.36 trillion) annually on import of textiles and readymade clothing, further compounding the difficulties for those industries in the country to operate and compete. Nigeria's National Bureau of Statistics (NBS) observed that the textile, apparel and footwear industries contributed only 2.10 per cent of GDP in Q1 of 2016.

A proper diagnosis of Nigeria's standing in the global context of cotton and textile industry will depend on differences between supply (depending on factors like the environment, agricultural policies, mechanisation, etc.) and demand for cotton (resulting mainly from textile industrial activities) in the international cotton fibre trade.

According to an OECD report; "Since 1960, world production of cotton fibre has doubled, from 10.2 to 20.3 million tons, representing a moderate average annual growth of 1.7 per cent. Although there are numerous cotton-producing countries, global production is largely dominated by China (28 per cent), followed by the United States (17 per cent) and India (12 per cent). These three countries alone account for nearly 60 per cent of total global production of cotton fibre in 2004/05, compared to 47 per cent, nearly 30 years earlier."

The era of global prosperity and rapid technological advancement has led to efforts directed at transformation and quest for alternative raw materials for the textile industry. Cotton represented 68 per cent of total fibre use in 1960; this percentage underwent a downward trend to reach 38 per cent in 2000. Between 1960 and 2000, global demand for cotton fibre increased at the same pace as population growth (1.8 per cent annually). By contrast, during this period, global consumption of artificial fibres increased by 4.7 per cent per year, with a relative decline of cotton compared to synthetic fibre.



Motor insurance, beware of fakes

The Insurance Broker

FRANCIS EWHERIDO

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MOTOR INSURANCE is the most widely patronized insurance in Nigeria. This is not surprising because it is one of the six compulsory insurances in Nigeria. Specifically, the Motor Vehicles (Third Party) Insurance Act of 1945, which took effect from 1st April 1950, makes it an offence for anybody to use a motor vehicle on the road without having in place the minimum motor (third party) insurance to cover the motorist against liabilities arising from third party bodily injuries or death. The act also imposes a fine of N400 or/and one year imprisonment for persons convicted of the offence. However, Section 68(2) of the Insurance Act 2003 has increased the monetary penalty for non-compliance to N250,000, while imprisonment remains one year. Imposition of one or both penalties still subsists. The Insurance Act also extended the cover to take care of liabilities arising from damage to third party property to the tune of One Million Naira. A policy holder can increase the limit of his property damage with payment of additional premium. In theory, liabilities arising out of death and bodily injuries are unlimited because you cannot put a value on life, but in practice, there are parameters for calculating benefits; for instance, the deceased's annual income while he was alive.

In practice, there are basically three types of motor insurance cover. We have the minimum Motor (Third Party) Insurance, which is compulsory, Third Party, Fire and Theft and Comprehensive Policy. The Motor (Third party) Insurance, as we explained earlier, is meant for the benefit of third parties. The policy holder gets no relief either for himself or his vehicle in the event of an accident. He is his own insurer. There is, however, a variant of the Motor (Third Party) Insurance in the market that extends limited benefit to the policy holder. This variant pays a limited sum, for instance, N250,000 to the policy holder for own damage in the event of accident. For this additional benefit, the policy holder pays an increased premium, for instance, N10,000 instead of the usual N,5000 for private vehicles and N12,000 instead of N7,500 for commercial vehicles.

The second type of motor insurance, Third Party, Fire and Theft, TPFT, covers everything the minimum policy covers, in addition to liabilities resulting from fire to and theft of the insured vehicle. This policy does not cover any accident related to own damage. The premium for TPFT is usually a percentage of would-be comprehensive premiums, for instance, 60 percent. Finally, you have the comprehensive motor insurance cover, which provides the widest cover. It covers, third party liabilities, fire, theft and own damage. In addition, it covers medical expenses to a limited amount, for instance, N25,000. The policy also covers theft of or damage to in-built accessories to a limited sum, usually 2% of the value of the vehicle. Where the accessories were bought and fitted by policy holder, they should be declared at the inception of the policy for liability to attach in the event of theft or damage. The premium for comprehensive insurance is a percentage of the sum insured and is negotiable.

One of the major problems deviling motor insurance in Nigeria is the presence of fake motor insurance certificates. It is estimated that only one or two out of eight motor certificates is genuine.

That was partly why I advised potential policy holders last week to go through a registered insurance broker (RIB) while procuring insurance. However, should you decide to purchase your motor insurance policy directly from an underwriter (insurance company), ensure that the insurance company's operating license is still valid. Also, do not buy from motor parks or licensing officers. Go to the underwriter's office or contact them via their website, email or staff. And after purchasing the policy, go to the Nigerian Insurance Industry Database (NIID) and use the insurance policy number or the vehicle registration number to confirm if the policy is genuine.

Another thing, take time and go through your policy, especially the scope of cover, to know your entitlements and exceptions, to know what to avoid. The days of the dreaded small prints are gone. These days, policies are worded in simple English. Next week, we shall look at some of the exceptions to take note of in motor policies.

However, Section 68(2) of the Insurance Act 2003 has increased the monetary penalty for non-compliance to N250,000, while imprisonment remains one year

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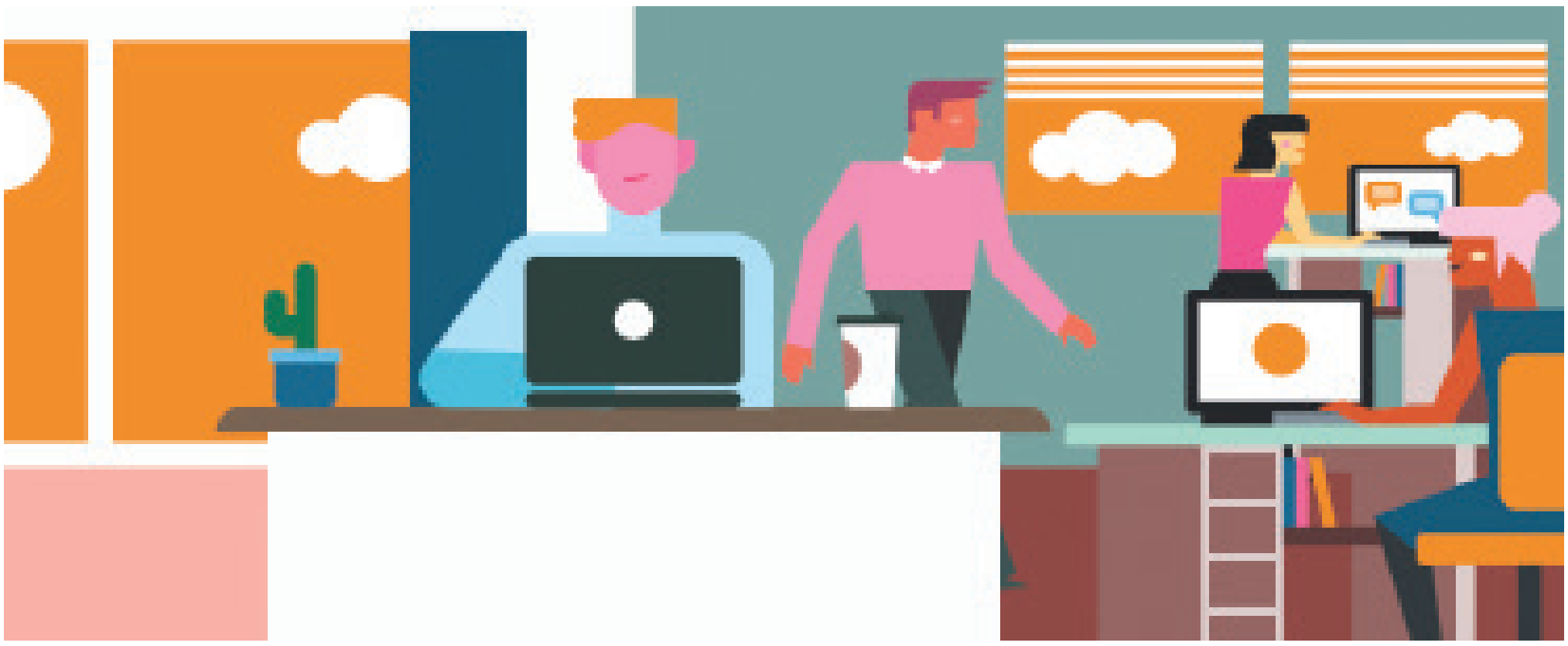

Three Ways to Make Your Organisation Agile

Maria Guadalupe

AGILE, THE FLEXIBLE way of working, has spread from software development to organisational change – for small start-ups and even large, traditional organisations. The Agile software methodology is iterative and collaborative; it ensures that small, autonomous groups work together to align with customer needs. In this age of information at our fingertips, same-day delivery and seamless payment options, customers now expect more from business than ever before and companies must adapt to thrive.

This methodology is the underpinning for the transformation of large banks, such as ING and Sberbank with the expertise of change architect Bart Schlatmann. On a recent visit to INSEAD, Schlatmann, the former COO of ING and Chief Transformation Officer at Sberbank, discussed the shift to the collaborative environment of Agile from the old organisational model of command-and-control. For organisational transformation, Agile describes the way firms are created around flexible, customer-focused and often self-managed teams, empowering employees to make decisions.

In 2014, reflecting on challenges facing the bank, ING executives understood that change was necessary and that putting the customer journey at the centre of the business would lead to growth. For them, the Agile methodology, which had been employed in its IT department since 2010, was the answer. Executives visited Spotify, the Swedish music streaming start-up, for a look into its Agile organisation.

Established industries tend to focus on their direct competition rather than companies in other industries that excel at capturing the interest of customers. For example, if customers expect a quick turnaround on an online order, they also expect a quick decision or result from a bank. By delivering packages the same day, Amazon changes clients' expectations. According to Schlatmann, your direct competitor is no longer the benchmark for customer satisfaction, Amazon is. He described this as "the behaviour of clients is actually set by digital innovators".

In our case study "Embracing Digital: ING's Journey to a New Way of Working", my co-authors Yves Doz, Lucia Del Carpio, Nancy Brandwein and I investigated the organisational transformation of the bank with Schlatmann's guidance. We looked at how ING's success in completely integrating with another entity in 2007 spurred the bank to rethink traditional ways of working which in turn led to the Agile transformation.

Breaking eggs to make an omelette

At ING, the Agile change affected most divisions simultaneously. Teams had to become smaller and less hierarchical. Everyone had to reapply for a place in the new organisation. Because 30 percent of senior managers didn't fit in the new culture, they left.

Managers no longer assigned team or individual objectives. They were set at the small group or "squad" level to meet the needs of customers. ING employees were thereafter more likely to meet directly with customers as their needs informed the squad's priorities.

Schlatmann believes that adapting an organisation to Agile delivery requires a complete change in mindset. One example of this is how IT is positioned in the organisation. IT support typically sits outside of the "business" or client-facing functions. In the Agile environment, IT and customer-facing professionals are on the same squad, typically in a group of no more than nine members.

Professor Del Carpio and I ran five surveys tracking objectives and analysing the squads' success over almost two years. We found that engagement and team efficiency increased significantly as the transformation went on. Schlatmann said employees were able to tell us "the story without any politics" in the surveys.

Each squad at the bank needed a technical person who could examine the customer problem with her teammates and work towards a digital solution. For example, a developer working with a loan team could create an app designed for a select group of customers.

Getting IT into every squad required acquiring tech talent. Although banks generally have a huge amount of data for engineers to mine, they were seen as staid and boring places to work. According to Schlatmann, ING's move to Agile turned the bank into the number one preferred employer of software engineers in the Dutch market. It didn't need to advertise or put together a marketing campaign about working at ING. Positive word-of-mouth attracted the new tech talent because ING engineers were excited and "telling the story of what they were accomplishing on a day-to-day basis," he said.

Advice from the trenches

Schlatmann has now overseen Agile transformations at two major banks, ING and Sberbank. He recommends starting an Agile change in one division and moving outwards. In the banking industry, one could start with a mortgage area or a business lending area. "It's a very important product for the banks. But on the other hand, it is also pretty independent," he explains.

First, he says executives should ask themselves whether their competitors are driving customer behaviour or whether clients' expectations are being fuelled by companies in another industry. If companies in another industry are driving change, look there for answers and adapt accordingly.

Second, Schlatmann emphasises "measure and measure and measure. Because objective measurements will provide you with the real data." Surveys of how employees are performing throughout the transition can, in conjunction with objectives, give real measures of progress.

Third, turn from a command-and-control management style to a goal-oriented, time-delimited and customer-focused one. Agile as an organisational methodology works not only for small tech companies but for large established firms too. Schlatmann recommends starting small, showing good results, and extending the methodology to the whole company.

Maria Guadalupe is an Associate Professor of Economics and Political Science and the Academic Director of the INSEAD Randomized Control Trials (RCT) Lab.

The Journey of the Activist-Entrepreneur

Matthew Lee, Tommaso Ramus & Antonino Vaccaro

"The Mafia is not at all invincible. It is a human act, and like all human acts it has a beginning and will also have an end." – Giovanni Falcone, Italian prosecutor and anti-Mafia activist.

THE LEGENDARY ITALIAN prosecutor Giovanni Falcone's fight against the Sicilian Mafia came to a tragic end with his murder in 1992. But a decade later, his legacy inspired a small group of young Sicilians to re-launch the fight against the Mafia, and specifically its longstanding practice of extorting protection money (called pizzo) from Sicilian business owners. On a late summer night in 2004, they rode motorcycles through the streets of Palermo, plastering the city with stickers that said: "A people that pays the pizzo is a people without dignity."

The young activists' calculated risk struck a sympathetic chord. In 2005, with growing support from both citizens and local businesses, the grassroots movement introduced an anti-racketeering certification for businesses called Addiopizzo (literally, "goodbye, protection money"), while calling on civil society and consumers to both financially support these shops and physically protect them from Mafia retaliation.

Four years later, a group of these activists launched Addiopizzo Travel (AT), a Palermo-based travel tour operator that exclusively patronised Addiopizzo-certified businesses. Through AT, the activists sought to use a market-based strategy – entering the tourism industry – to achieve the movement's central purpose of eliminating Mafia influence. By bringing more local and international tourists to support Addiopizzo businesses, they could entice more Sicilian businesses to join the movement and defy the Mafia.

As researchers, we were fascinated by the challenge of understanding how a social movement's organisation can successfully leverage business to achieve its goals, and so we undertook a seven-year field study of AT. Here we summarise the results of our paper "From Protest to Product: Strategic Frame Brokerage in a Commercial Social Movement Organization", which is forthcoming in the Academy of Management Journal.

How the anti-Mafia movement used frames to drive mobilisation

A central insight of our research was that both movements and businesses strategically frame their activities by featuring specific information and narratives to entice supporters. Frames help potential supporters make sense of a situation and motivate their action.

For instance, before AT came about, the anti-Mafia movement successfully framed its activities in terms of four key values: community, security, dignity and denunciation. In the anti-Mafia context, community meant that the movement could only be successful if people stood together. The Mafia couldn't silence a whole community.

Security referred to the activists' focus on ensuring the physical security of the Addiopizzo-certified shop owners, a goal they pursued by literally occupying their storefronts (thereby hindering Mafia retaliation).

The third value, dignity, had a special meaning for the Sicilians, as pride in oneself and one's community form a very important part of the culture. Dignity was also dear to the activists themselves as it had provided the spark for the movement.

However, denunciation was possibly the most sacred value of the Addiopizzo movement. Addiopizzo encouraged public denunciations of the Mafia as a way to erode the culture of fear and weaken Mafia control.

Reconciling multiple frames through brokerage

While these frames were the source of the anti-Mafia movement's strength, they didn't easily transfer to the context of a revenue-making enterprise, as AT founders discovered. Specifically, these frames did not always resonate with tourists and other parties outside the movement's original base of support. We studied the resulting tensions and decisions made by AT through 41 days of direct observations, 73 interviews (with AT founders, activists and business owners) and analysis of hundreds of documents.

We found that a key factor was whether the movement's frames resonated with those of the responsible tourism industry. On this dimension, some frames fared quite well. For instance, applying the frame of community to AT tours was successful as responsible tourists do desire an authentic experience. They liked the idea of being part of the community they were visiting. Contributing to its grassroots movement through patronage of pizzo-free businesses immediately made sense to them.

> A people that pays the pizzo is a people without dignity

Other frames, however, failed to resonate, so AT revised them through a process of frame brokerage that aimed to sync the frames of its multiple constituents. For instance, tours based on the concept of security did not fit tourists' conception of a pleasant, responsible holiday. Seeing this, AT tried to adopt environmentalism as an organising principle for its tours, but anti-Mafia activists perceived this as a betrayal of the core values of the movement. Through a deliberate process of internal and external negotiation, AT progressively replaced the value of security with a closely related one: sustainability. For tourists, sustainability was consistent with their environmental interests, while for activists, sustainability became about providing economic "security" to the shop owners who defied the Mafia.

The original anti-Mafia frame of dignity also failed to resonate with tourists. AT transformed this to "beauty", which tourists understood to mean the beautiful landscapes, the quaint villages and so on. For the anti-Mafia activists, it became the beauty of the Sicilian spirit, a concept that gelled with their original frame of dignity.

It was in the value of denunciation that these tensions were most profoundly felt. Denunciation was core to the anti-Mafia movement, such that activists could not tolerate it being modified in any way. Yet the entrepreneurs from AT quickly discovered that tourists were not interested in denouncing the Mafia directly, and even worried that they were putting themselves at risk. AT's solution was to express denunciation in a selective way. While they did not use denunciation in the framing of their tours, they proactively referred interested tourists to other activists, including shop owners, who would talk about denunciation. In this way, AT effectively maintained denunciation as a core value without deterring those who had a different definition of a successful tourism experience.

Lessons for activist-entrepreneurs

Activist-entrepreneurship is a growing trend among those focused on social issues such as clean air, clean water access and modern slavery, among others. AT offers proof of concept: It is financially sustainable and an important tool by which the anti-Mafia movement raises awareness and mobilises support. But a social movement that plans to build a business needs to recognise that its customers are unlikely to hold exactly the same values and frames as activists. Activist-entrepreneurs must therefore carefully consider how they can broaden the appeal of their movement.

A key theme of our research findings is the importance of dialogue – repeated cycles of seeking, refining and testing new frames with all stakeholders. On the part of the activist-entrepreneurs, this process requires empathy and an ability to think creatively about how to combine those views into new frames. Activist-entrepreneurs typically hold extremely strong views about the issues they are addressing, and so may need to make a special effort to understand and appreciate the perspectives of their customers.

Activist-entrepreneurs need to be aware that not all of their customers will share their passion for the same issue, or even understand it the same way. This is even true for Patagonia, the outdoor clothing and gear company widely known for its strong sustainability branding and the fanatical loyalty of its customers. According to Patagonia founder Yvon Chouinard, "Some customers buy Patagonia products because they like our values. But that's only 10 percent of the people... The other 90 percent buy our products because they like the colour or they like the style or something." In other words, while a quality product can be a tool for advancing an ideology, the ideology cannot be a substitute for good quality.

And while framing seems superficial, the stakes can be high. Consider the example of fair trade coffee, originally a project of anti-poverty activists who wanted to empower disadvantaged farmers. For individual farmers to remain in control, coffee had to be sold in small batches through specialty stores. But when corporations like Starbucks grew interested in buying fair trade coffee, it led to an ideological fight within the movement – with the global fair trade organisation eventually splitting into separate factions. It is not difficult to see how the failure to develop mutually-resonant frames ultimately limited the potential of the fair trade campaign.

In the end, the challenge of activist-entrepreneurs is an extreme case of a universal leadership dilemma, i.e. how to mobilise diverse stakeholders to work together towards a specific goal. Our work shows how strategic frame brokerage can help organisations enable this kind of collective action. With this accomplished, activist-entrepreneurship offers a potent tool to address even the most intractable social issues.

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How Companies Can Instill Mindfulness

Mindfulness and meditation have made deep inroads into the corporate world. The benefits are proving out, notes this opinion piece by Christian Greiser and Jan-Philipp Martini of the Boston Consulting Group. Greiser is a senior partner, managing director and the global leader of the firm's operations practice who works with senior leaders around the globe. Martini is an associate who supports clients around the world on enterprise-wide agile transformations.

VOLATILE MARKETS, challenging consumer demands, and the technological disruptions resulting from digitization and Industry 4.0 are producing unprecedented rates of change. In response, companies have worked to increase organizational agility, hoping to foster innovation and shorten go-to-market cycles. Yet organizational experiences and sociological conditioning often impede true agility. As a result, many of these efforts fall short of their objective to manage the uncertainty generated by change. But another movement — mindfulness — will help companies overcome these challenges.

Mindfulness is a centuries-old idea that has been reinvented to address the challenges of our digital age. In essence, mindfulness describes a state of being present in the moment and leaving behind one's tendency to judge. It allows one to pause amid the constant inflow of stimuli and consciously decide how to act, rather than react reflexively with ingrained behavior patterns. Mindfulness, therefore, is perfectly suited to counterbalance the digital-age challenges of information overload and constant distraction.

The benefits of mindfulness are both clear and proven. Mindfulness programs help leaders and employees reflect effectively, focus sharply on the task at hand, master peak levels of stress, and recharge quickly. On an organizational level, mindfulness reduces sick days, increases trust in leadership, and boosts employee engagement. What's more, mindfulness helps to unlock the full potential of digital and agile transformations. New processes and structures are just the starting points for these transformations.

Not surprisingly, interest in mindfulness is growing, especially among digital natives: In the past decade, the rate of increase in Google searches for mindfulness has outpaced that of all Google searches by a factor of four. Furthermore, years of scientific research and modern forms of teaching have fueled its popularity. Now, mindfulness apps even come pre-installed on smartphones and tablets.

Yet integrating mindfulness in the corporate context can be challenging. Some companies encounter vocal skeptics; others struggle with entrenched ways of working. Even leaders and employees who are eager to try out mindfulness find it hard to get started. To unleash the power of mindfulness, companies will have to embrace a holistic approach to corporate agility.

Agility Requires Coping with Uncertainty

To support their agility efforts, many companies have applied "cosmetic" digital-age solutions, such as hackathons, agile meetings (for example, short daily standup meetings to discuss progress and obstacles), and new visualization techniques and creativity tools.

However, most companies have not yet created an environment that truly prepares them to reap the rewards of agility. Often, their ways of working have been shaped by a tradition of emphasizing functional excellence over agility, as well as systems that favor expertise over open-mindedness. Two inhibitors stand out:

Resistance to Change. As the pace of change increases, employees will have to continuously adapt to evolving circumstances. In most organizations, however, the existing ways of working leave employees unprepared to do so. They may therefore respond with reflexive resistance, a defense mechanism to avoid the discomfort of psychological uncertainty. Organizational politics and poor communication about the purpose of making changes only strengthen this resistance.

Overvaluing Expertise. Many employees think and interact at work by applying expertise that they gained before the digital age, when efficiency, not agility, was the overarching objective. Such an approach encourages closed-mindedness.

Mindfulness Facilitates Navigation Through Uncertainty

Mindfulness enables people to radically strengthen their ability to adapt quickly to evolving circumstances and ambiguous situations and to increase the speed with which they learn new things. It creates mental agility and helps people look inward to find answers.

In their recent book, Altered Traits, Daniel Goleman, a Harvard psychologist, and Richard J. Davidson, a neuroscientist at the University of Wisconsin, provide a scientific view of personal mindfulness benefits. They synthesize three proven benefits of mindfulness that, in combination, allow people to act more effectively in unpredictable environments:

Staying Calm and Open-Minded. Mindfulness practices, such as breathing meditation, are associated with decreased volumes of gray matter in the amygdala, the region of the brain that initiates a response to stress. This reduces the inclination to interpret an uncertain environment as a threat and thus react defensively. In this way, mindfulness improves mental agility, allowing attitudes to shift from "but we have always done it like that" to "let's see what happens if we try a new approach."

Cognitive Ability. Mindfulness improves short-term memory and the ability to perform complex cognitive tasks. It also frees people to think outside the box, which helps them cut through complexity. In the context of workplace performance, proven results include a higher quality of strategic decision making and more effective collaboration.

Focus and Clarity of Thinking. As Nobel laureate Herbert A. Simon observed, "a wealth of information creates a poverty of attention." This insight, first articulated in 1971, is more accurate today than ever before. Maintaining a strong focus in this time of digital information overload, therefore, is essential. The regular practice of mindfulness routines can reduce mental wandering and distractibility. Mindfulness strengthens the awareness of both one's activities in the present moment and one's mental processes and behaviors (known as meta-awareness).

By delivering these individual benefits, mindfulness boosts the potential of

> Mindfulness programs help leaders and employees reflect effectively, focus sharply on the task at hand, master peak levels of stress, and recharge quickly

corporate agility initiatives and agile transformations. It helps people to inspect and adapt their behaviors in short cycles, relax so that they can rewire established attitudes, and think clearly in the midst of overwhelming digital stimuli. In short, mindfulness facilitates navigation in the context of uncertainty and ambiguity.

The Corporate World Has Taken Notice

A leading pioneer of corporate mindfulness is Jon Kabat-Zinn, who facilitated its democratization by designing a program called Mindfulness-based Stress Reduction. The course provides a simple and structured introduction to scientifically proven meditation practices. Similarly, Chade-Meng Tan has developed Search Inside Yourself, a course that combines meditation practices with emotional intelligence training — an approach he pioneered at Google.

More recently, companies in the West have turned to mindfulness to promote employee well-being and productivity. The movement began among startups in Silicon Valley and has been implemented by long-established companies across the U.S. and Europe as well

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How Companies...

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as by government bodies. These include Aetna, Beiersdorf, Bosch, General Mills, Goldman Sachs, Intel, Royal Dutch Shell, SAP, Target, the UK's Parliament, and the U.S. House of Representatives.

Many of these organizations embrace agility and aspire to cultivate a new form of leadership. Among the top executives who meditate and encourage their employees to follow their example, for instance, are Salesforce CEO Marc Benioff, Twitter CEO Jack Dorsey, and Google cofounder Sergey Brin. In fact, attending a meditation class is a popular way to begin the workday at many Silicon Valley companies, including Apple, Facebook, LinkedIn, and Twitter.

Over the course of many years, Bosch, a multinational engineering company that focuses on automotive components and consumer goods, has increased its agility through a variety of initiatives. These include creating flexible organizational structures, introducing agile development methods, and experimenting with new business models and technologies. In order to promote the success of these initiatives, the company realized that it needed to fundamentally change its approach to leadership. According to Petra Martin, who is responsible for leadership development at Bosch Automotive Electronics, "Mindfulness is an essential lever to shift from a culture of control to a culture of trust. Communication has fundamentally changed since we introduced our mindfulness training to more than 1,000 leaders in the organization."

At software company SAP, mindfulness has become a key ingredient of corporate life for employees and executives alike. More than 6,000 employees have taken two-day mindfulness courses that focus on meditations complemented by the practice of self-mastery and compassion. In addition, internal mindfulness trainers offer guided meditations during working hours and a multiweek mindfulness challenge, including meditation "micropractices," such as tuning out of a busy workday for a few minutes to focus on one's breathing.

"For many managers, it has become the new normal to open meetings with short meditations," says Peter Bostelmann, the director of SAP's global mindfulness practice. Participants in the mindfulness program report increased well-being and higher creativity. What's more, mindfulness has promoted significant measurable improvements in employee engagement and leadership trust indices. Bostelmann has seen a significant shift in how corporate mindfulness programs are perceived. A few years ago, some leaders ridiculed the concept of mindfulness at work. Recently, however, executives of other companies — including Deutsche Telekom, Procter & Gamble, and Siemens — have sought Bostelmann's advice about how to adopt mindfulness concepts at their companies.

Aetna, a U.S. health insurer, has trained 13,000 employees on mindfulness practices, resulting in a reported reduction in stress levels of 28%. Annual productivity improvements, a secondary effect, are estimated at $3,000 per employee. Aetna launched the mindfulness initiatives gradually, starting with brief meditations in executive-team meetings and then continuing with yoga and meditation classes for all employees. "We have demonstrated that mindfulness-based programs can reduce stress and improve people's health," says Mark Bertolini, Aetna's chairman and CEO.

How Companies Can Instill Mindfulness

To fully capture the benefits of mindfulness, companies should customize their mindfulness programs. While it is valuable to begin by determining the objective of mindfulness interventions, many organizations have also achieved good results by starting with a small pilot program, such as providing a mindfulness course to senior leadership.

For some companies, mindfulness will become a paradigm for organization design and employee well-being. In terms of adopting mindfulness generally, organizations can start by experimenting with four types of interventions: leadership training, meditation training, mindfulness micropractices and mindfulness coaching.

Leadership Training. As management guru Peter F. Drucker observed, leaders need trained perception fully as much as analysis. Well-designed leadership courses address this need by combining actionable mindfulness and emotional intelligence practices.

Even customized mindfulness leadership courses share common elements. Leaders should learn how to integrate formal and informal mindfulness practices into everyday life. Formal practices are often guided meditations, while informal practices include mindful listening exercises and simply paying attention to the task at hand.

By instilling self-awareness, self-regulation and compassion, mindfulness courses address the psychological root causes of multiple leadership problems. And because these courses also encourage the natural development of skills for managing time, change and conflict, training programs dedicated to establishing these skills might become obsolete.

At Bosch, a one-year agile leadership-training curriculum involves three modules: leading oneself, leading teams and leading the organization. The self-leadership training focuses on mindfulness and involves regular guided meditations, conscious-communication exercises and courses to help leaders avoid the pitfalls of multitasking.

At a multinational engineering company, some leaders openly expressed skepticism about the value of mindfulness. The company converted these skeptics into believers by explaining the concept in layman's terms, sharing scientific research about its effectiveness and inspiring senior leaders to become change agents. Today, mindfulness is the new normal for the company, and leaders pause for meditation in the designated silent room before making major decisions or having difficult discussions.

Meditation Training. In addition to training executives, organizations should evaluate whether to offer training opportunities to all employees. Many individuals are willing to try out meditation but struggle to understand where to start. A half-day to full-day course can introduce basic practices, such as breathing or body scan meditations, so that employees can subsequently continue on their own.

To reinforce their training courses, some organizations — including Google, LinkedIn and Twitter — offer guided meditations during working hours. Google has also established silent lunches and silent rooms, where employees can go to readjust their mindsets in the midst of an intense working day.

> Most companies have not yet created an environment that truly prepares them to reap the rewards of agility.

Mindfulness Micropractices. Repetitive practice of basic skills is essential to promote mastery: think of pianists playing scales throughout their careers or baseball players taking batting practice before every game. Similarly, employees who complete a meditation program need to continue practicing, through micropractices, to truly master mindfulness. Seasoned meditators report transformative mindfulness benefits once they have mastered the seamless integration of mindfulness practices into everyday life.

Organizations should invest in creating a culture in which meditation micropractices are not just tolerated but are actively disseminated by mindfulness change agents. Small workshops can also help to integrate mindfulness in a nonintrusive way. These workshops can teach approaches such as Elisha Goldstein's STOP practice, in which participants learn to stop, take a breath, observe (thoughts, feelings, and emotions), and proceed. Beyond promoting mastery for mindfulness practitioners, micropractices can serve as an easy starting point for skeptics, who often experience surprising benefits after a few sessions.

Mindfulness Coaching. The principles of mindfulness can also help teams collaborate more effectively. For example, if team members master the ability to listen to one another with undivided attention and without interruption, they promote freer and more creative thinking. And a team culture that values appreciation over criticism helps to build transparency and openness. In her 2015 book, More Time to Think: The Power of Independent Thinking, Nancy Kline proposes that people offer appreciative comments five times as often as they do critical remarks.

Facilitation by a coach is essential to capture the benefits of mindfulness in teamwork. Agile teams typically already have scrum masters or agile coaches, and these individuals can become mindfulness coaches as well. Similarly, executive teams could benefit from mindfulness coaches to enable authentic communication and effective teamwork.

Unleashing the Power

Companies that undergo a transformation through mindfulness are seeing positive returns both on an individual level and on an organizational level. As leaders and employees develop the open-mindedness and clarity required to navigate through unpredictable environments, the organization becomes well positioned to unlock the full potential of agility. For companies that have not yet successfully embraced mindfulness, the imperative is clear: Follow a well-designed, holistic approach to implement this centuries-old solution to digital-age challenges.

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Minister for Finance, Mrs. Kemi Adeosun (left) receiving the Chief Executive, Crown Agents, Fergus Drake; Events and Meetings Consultant, Jacqueline Romoff and Partnership Manager, Duncan Hart, during a meeting between Nigeria and Officials of the British Firm on the sideline of the 2018 IMF-World Bank Spring Meetings in Washington D.C, on Thursday, 19th April, 2018

System liquidity dynamics to sustain positive performance in T-bills market

Steve Omanufeme

THE CENTRAL BANK of Nigeria's policy bias for easing which has improved liquidity in the financial system is seen to sustaining the two-week long positive performance in the treasury bills and interbank markets in the near term, according to analysts.

They specifically see rates moderating further across the money market from earlier positions.

Indeed, the treasury bills market was bullish in the past week as average rate across tenors trended lower on all trading sessions. Specifically, the week opened on a positive note as the average rate across benchmark instruments fell 33bps to 12.9 percent from 13.3 percent in the previous trading session.

The following day, Tuesday, average rate further trended southwards declining to 12.6 percent. The bullish sentiment persisted till midweek with average rate across benchmarks marginally falling by 1bp to settle at 12.6 percent.

Nevertheless, the Central Bank of Nigeria (CBN) bank carried out a Primary Market Auction (PMA) where the 91-day (offered: N5.8bn, Subscription: N18.5bn, Allotted: N5.8bn), 182-day (offered: N29.2bn, Subscription: N46.5bn, Allotted: N29.2bn) and 364-day (offered: N23.4bn, Subscription: N374.0 bn, Allotted: N23.4bn) were allotted at stop rates of 10.9 percent, 12.0 percent and 12.1 percent respectively.

Average rates across benchmark tenors on Thursday closed down 17bps to 12.4% before settling at 11.8 percent on Friday down 1.46 percent week-on-week W-o-W.

In the money market, the open buy back (OBB) and overnight (ON) rates declined W-o-W on the back of changes in system liquidity following OMO repayments and Primary Market Auctions (PMA), a trend which is seen entering this week.

Last week the market opened flat as the OBB and ON rates closed at 2.3 percent and 3.0 percent respectively, despite system liquidity decline of 35.6 percent (N860.7bn) to N476.4 billion from N1.3 trillion recorded the previous week due to the spillover effect of CBN's OMO mop up of N500 billion.

On Tuesday, OBB and OVN rates declined 0.3ppts and 0.4ppts to close at 2.1 percent and 2.6 percent respectively as system liquidity moderated by N7.9 billion. The downward trend was maintained till midweek as OBB and OVN rates further fell to 1.8 percent and 2.3 percent respectively consequent on system liquidity which increased by N26.8 billion to N495.3 billion.

However, on Thursday OBB and ON rates inched 2.3ppts apiece to close at 4.1 percent and 4.7% respectively driven by OMO and Primary Market repayments of N276.1 billion and N116.9 billion respectively despite primary market sales of N56.5 billion on Thursday. System liquidity then surged by 110.1 percent (N545.5bn) to N1.0 trillion from N495.3 billion in the previous session.

At the OMO auction, the CBN issued 105-day (Offered: N100.0bn, Sale: N30.3bn) and 245-day (Offered: N300.0bn, Sale: N856.7bn) instruments at 10.9 percent and 12.0% respectively. OBB and ON rates closed lower by 1.1ppts and 0.9ppts to settle at 3.0 percent and 3.8 percent respectively.

Huge disruptions seen with 2020 low-sulfur shipping rule – IEA

business a.m.

The shipping industry and oil refineries are not doing enough to prepare for new rules cutting the amount of sulfur that vessels can emit from 2020, according to the head of the International Energy Agency's (IEA) oil industry and market division.

The new rules drastically cut the amount of sulfur that the world's ships can emit, from 3.5 percent currently to just 0.5 percent. Ships that install "scrubbers" that remove sulfur as the fuel is burned can continue to use higher sulfur fuels, but the rest of the world's fleet will need to purchase lower sulfur fuel in order to comply.

"The reality is that the industry has already passed the date beyond the smooth transition," the IEA's Neil Atkinson, told an energy seminar in Oslo. "We don't think it's going to be a smooth transition."

The change is the most significant for the global shipping and refining sectors in decades, and experts and analysts expect it to reduce fuel oil demand by 2-3.5 million barrels per day (bpd) as a result.

Atkinson said that there has not been enough investment in scrubbers, and that the IEA is worried about the market's ability to meet demand for the low sulfur marine fuel that ships without scrubbers will need.

"There will be a scramble for new compliant fuel… it could be a huge issue in terms of a spike in prices for marine fuel and a very, very disruptive market, and that's only 18 months away," he said.

While some refineries have announced investments in new pieces of equipment to strip sulfur from the fuel they produce, enabling them to supply more compliant fuels, analysts at KBC said that some 40 percent of Middle Eastern and European oil refineries are not ready for the new rules.

> The reality is that the industry has already passed the date beyond the smooth transition

Experts have said the deadline is now too close for new upgrades to be ready in time.

"There is going to be a huge disruption in the shipping markets, particularly in those markets where (there) is rigorous enforcement," Atkinson said.

EIB, AfDB take up $70m equity in Development Bank of Nigeria to support private sector lending

business a.m.

The European Investment Bank (EIB) and the African Development Bank (AfDB) have agreed to take up equity participation in the new Development Bank of Nigeria (DBN) to strengthen lending for business and agriculture investment in the country.

To this end, the EIB has finalized a $20-million equity stake in the new financing institution, alongside $50-million equity participation from the AfDB.

"Private sector businesses are critical to the development of the Nigerian economy as they possess huge potential for employment generation and output diversification," said Stefan Nalletamby, director of the financial sector development department at the African Development Bank, adding that there has been under-performance of these businesses, which has undermined their contribution to economic growth.

Nalletamby said shortage of finance, particularly investment finance, which occupies a very central position, is among the major issues affecting private sector business performance, and that the Development Bank of Nigeria is expected to contribute to mobilizing significant long-term financing to an important yet underserved sector with high development potential.

Werner Hoyer, European Investment Bank head and Akinwunmi Adesina, Africa Development Bank head

Ambroise Fayolle, vice-president of the EIB said the European Investment Bank is pleased to support the new Development Bank of Nigeria to strengthen private-sector investment in Africa's largest economy.

"New private sector investment is crucial to create jobs and enable business to expand and limited access to long-term financing holds back economic growth. We look forward to continued close cooperation with Nigerian and international partners to ensure that once fully operational the new Development Bank of Nigeria can help harness the country's economic potential," he said.

Ketil Karlsen, head of the European Union Delegation to Nigeria and the Economic Community of West African States (ECOWAS) reiterated the European Union's committment to supporting private-sector investment in Nigeria, adding that the new backing for the Development Bank of Nigeria by both the European Investment Bank, the bank of the European Union and the African Development Bank, with 13 EU member state shareholders, will make a clear contribution to tackling the lack of access to credit by entrepreneurs and businesses across the country.

"With more investment, we hope to promote a vibrant economy and stimulate growth, employment and increase opportunities, especially for youth," Karlsen noted.

On his part, Tony Okpanachi, managing director of the Development Bank of Nigeria, said the bank would overcome the funding gap in the micro-, small- and medium-scale enterprises space and help businesses unlock opportunities across Nigeria.

Bullish outlook for naira ahead of CBN rate decision, economic data release

business a.m.

THE LOCAL CURRENCY, the naira, would trade steady against international currencies ahead of Central Bank of Nigeria's (CBN's) rate decision and economic data release by the National Bureau of Statistics (NBS) this week, says Lukman Otunuga, research analyst at FXTM.

"The upcoming trading week will offer investors fresh insight into the health of Nigeria's economy, with both the interest rate decision and GDP data scheduled for release," Otunuga noted in a note to business a.m., adding that a combination of central bank intervention and rising commodity prices have and would continue to support the local currency.

According to him, the outlook would not only support bullish sentiment, but will also boost expectations of the Central Bank of Nigeria cutting interest rates in H2.

Equally, analysts at Renaissance Capital (RenCap) have revised their YE18 FX forecast to NGN356/$1, from NGN360/$1, to reflect a stronger naira on the back of an improved external position.

"The naira appreciation is likely to be modest, in our view, because it will be tempered by the continued build-up of FX reserves by the central bank," the said, adding that during a Eurobond roadshow in November, Godwin Emefiele of the Central Bank of Nigeria (CBN) said he was aiming for $45 billion by mid-2018, which he affirmed when we met him in February; that level was passed in March.

FX reserves were at $46.9 billion (30-day moving average) on 13 April; they were last this high in 1H13.

"We also think the CBN prefers a stable FX rate – following significant naira depreciation over the past two years – so it would rather build up reserves than let the currency strengthen. We still think the naira is cheap at NGN356/$1; its fair value is c. NGN320/$1, according to this analyst's real effective exchange rate model. We believe a cheap naira will help to contain imports," they noted.

L-R: Tinuade Awe, executive director, regulation division, The Nigerian Stock Exchange (NSE); Michel Puchercos, group managing director/CEO, Lafarge Africa Plc; Oscar N. Onyema, chief executive officer, NSE; Tony Elumelu, chairman, United Bank for Africa (UBA) Plc; A.B.C. Orjiako, chairman, Seplat Petroleum Plc; Mosun Belo-Olusoga, chairperson, Access Bank Plc; Mobolaji Oludamilola Balogun, chairman, Lafarge Africa Plc; Herbert Wigwe, group managing director/CEO, Access Bank Plc; Austin Avuru, chief executive officer, Seplat Petroleum Plc; Kenedy Uzoka, group managing director, UBA Plc during the closing gong ceremony in commemoration of NSE Premium Board migration at The Exchange recently

Analysts at Afrinvest say theyexpect rates to continue to trade within tight bands across different segments of the FX market as they remain confident of the CBN's ability to sustain its FX interventions as well as steady accruals in external reserves, which currently stand at $47.1 billion.

Indeed, the naira has witnessed stability against the dollar in the past weeks.

Specifically, last week the CBN moved twice to keep the country's foreign exchange market liquid when it intervened in the interbank segment of the market and the Retail Secondary Market Intervention Sales (SMIS) segment with $210 million and $396.18 million respectively.

The central bank said in a statement that the released sum is meant to meet obligations in the agricultural, airlines, petroleum products and raw materials and machinery sectors of the economy.

The CBN spot rate opened last week week at N305.60/US$1.00 and remained unchanged throughout the week. Parallel market rates opened the week at N362.00/US$1.00 appreciating by N1.00 from last Friday. However, at the close of the week, it fell to N363.00/US$1.00.

At the Investors and Exporters' (I&E) Window, the NAFEX opened the week flat at N360/US$1.00, the same at the close of the previous week. By Thursday, it had depreciated 25bps to close N360.25/US$1.00 before closing the week at N360.25/US$1.00. Activity level in the I&E Window strengthened, inching 10.0% (US$109.3m) higher W-o-W to US$1.2bn from US$1.1bn recorded the prior week.

At the FMDQ OTC futures market, total value of open contracts of the Naira settled OTC futures rose by US$44.6m to US$3.5bn as compared with US$3.4bn posted last Friday which connotes an increase of 1.3% in market size. The APR 2018 instrument was the most subscribed with a total value of US$660.49 while the MAR 2019 instrument was the least subscribed with a total value of US$31.73. The April 2018 instrument would be maturing in the coming week and in line with trend, we expect the CBN to replace it with a new instrument.

At the international scene, buying sentiment towards the British pound deteriorated sharply last Thursday after dovish comments from Mark Carney, Bank of England's governor heavily diluted expectations of an interest rate hike in May.

Carney's cautious tone and his acknowledgement of recent "mixed" economic data, planted a seed of doubt among investors that the central bank will take action next month.

With inflation cooling, retail sales disappointing and a dovish Carney entering the scene, Sterling bulls could be in trouble. The probability of a rate hike in May plunged to below 50 percent (down from 70% before Carney spoke) and this continues to punish the currency, Otunuga noted.

"Sensitivity to monetary policy speculation is likely to remain a key fundamental theme impacting the British Pound. If market expectations continue to deteriorate over higher U.K interest rates, Sterling could be exposed to further downside risks.

"Taking a look at the technical picture, this has been a terribly bearish week for the GBPUSD, with prices trading around 1.4060 as of writing. Previous support at 1.4100 could transform into a dynamic resistance that encourages a decline lower towards 1.4000. If bulls are able to push prices back above 1.4100, the next key level of interest will be 1.4230," he said.

In Turkey, it has certainly been a positive trading week for the Lira, as a surprise announcement of snap elections in Turkey boosted appetite for the currency.

President Tayyip Erdogan called an early election for 24 June, creating a sense of optimism among investors that political stability would increase. The main risk event for the Lira next week will be the Central Bank of the Republic of Turkey's (CBRT) monetary policy meeting.

"There is speculation over a potential rate hike in April, following Erdogan's call for early presidential and parliamentary polls. The Lira could receive further support if the CBRT raises interest rates.

"From a technical standpoint, the USDTRY remains under pressure on the daily charts, with prices trading around 4.05 as of writing.

A failure of bulls to secure a daily close above 4.05 could result in a decline towards the 4.00 level. Alternatively, a weekly close above 4.05 could inspire bulls to challenge 4.10," Otunuga stated.

Gold depreciated on Friday as easing geopolitical tensions and hopes of higher U.S interest rates dented appetite for the yellow metal.

The yellow metal continues to be driven by conflicting fundamental themes and this is reflected in the price action witnessed over recent weeks. While bulls remain inspired by geopolitics, lingering trade war fears and U.S political risk, bears have found support in the form of rising U.S rate hike expectations.

Gold is likely to remain a battleground for bulls and bears until a fresh directional catalyst is brought into the picture. Taking a look at the technical picture, prices could challenge $1360 if bulls are able to keep above $1340. Alternatively, a breakdown below $1340 may result in a decline towards $1324.

Current account surplus of 3.3% of GDP seen on improved external positions

ANALYSTS AT RENAISSANCE Capital (RenCap) have revised up their 2018 forecast of Nigeria's current account (CA) surplus to 3.3 percent of GDP, from 2.8 percent previously, on the back of our higher oil price projection. Accordingly, they see a smaller budget deficit of 3.4 percent as against 4.1 percent initially projected.

The recovery of the CA surplus in 2017 was due to a 23% increase in the average oil price, to $55.7/bl, and a modest increase in oil production to an average of 1.9mn b/d, the said.

"In 2018, we now expect oil price to increase by 12% (vs our initial expectation of a flat price), but we still see production unchanged at 1.9mn b/d. We do not expect a significant increase in imports (following two consecutive years of decline) because we expect the central bank to continue building up FX reserves, which we believe will temper the appreciation of the naira."

In an April 20, 2018 Update on the economy, the research analysts projected a stronger naira, at NGN356/$1 at year-end oil price higher to $62 per barrel

"Our oil & gas analyst, Alex Burgansky, has revised up our 2018 oil price forecast to $62/bl, vs $55/bl previously. We therefore revise our 2018 macro forecasts for Nigeria. The impact is most pronounced on the current account (CA) surplus and budget deficit; our forecasts for these improve to 3.3% and -3.4% of GDP, respectively (from 2.8% and our revised estimate of -4.1% at $55/bl oil)," the said.

They added: "We moderately adjust our FX forecast to NGN356/$1 at YE18, vs NGN360/$1 previously. We lower our average inflation forecast to 12.1% (from 12.4%) but maintain our YE18 policy rate forecast at 12.0%. We leave our 2.9% growth forecast unchanged, as we think it already captures upside risk. Given the vagaries in oil prices, we present macro forecasts at various prices."

They equally, project a smaller budget deficit of 3.4 percent of GDP

"We lower our FY18 budget deficit forecast to 3.4 percent of GDP, from our previous

(revised) estimate of 4.1 percent. (Notably, we revised our budget deficit forecast under a $55/bl oil price partly to reflect non-oil revenue's lower-than-targeted run rate.)

"We estimate that a higher oil price of $62/bl will improve budget proceeds from the oil sector by c. 30 percent (near-flat opex and capital costs at different oil prices partly explains the significant increase) and total revenue by 17 percent, to N2.2 trillion and 3.8 trillion, respectively. This implies an 11 percent decrease in the budget deficit to N4.8 trillion, or 3.3 percent of GDP. This is still wider than the federal government's deficit target of 1.4 percent, by our estimate, which we believe has overly optimistic revenue projections.

CAPITAL MARKET

Domestic equities market outlook bullish on bouts of bargain hunting

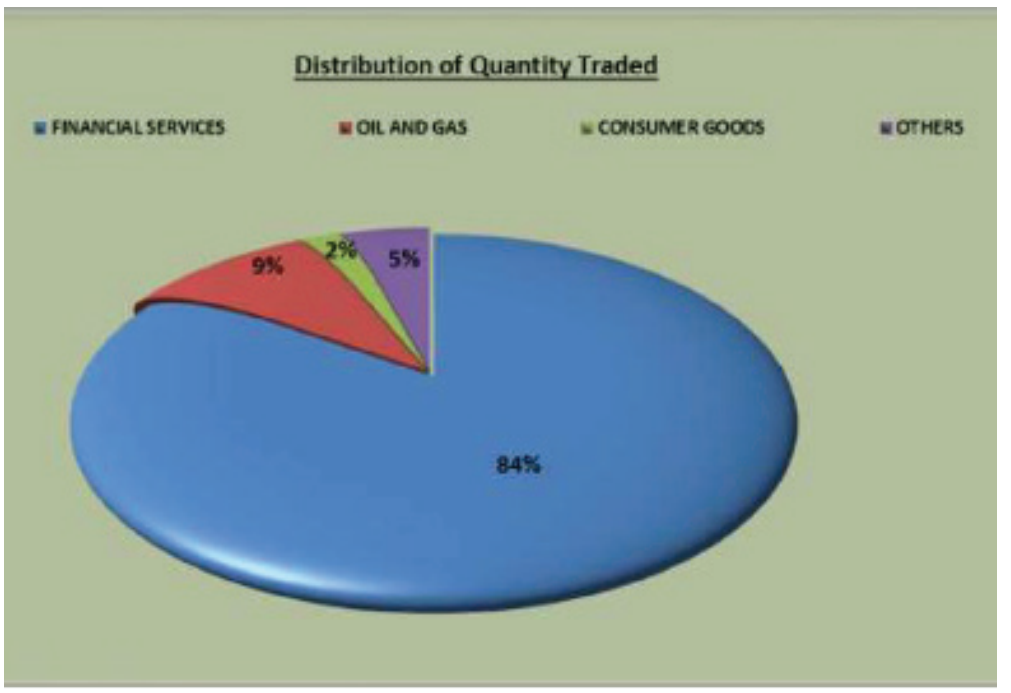
business a.m.

Though performance at the local bourse was bearish last week with the benchmark All Share Index (ASI) shedding 0.3 percent week-on-week (w-o-w) to settle at 40,814.89 points, analysts see bouts of bargain hunting returning the market to a bullish run.

The market, which had been on a correction mode since the beginning of March, had shed gains from over 17 percent to a year-to-date return of 6.7 percent as at Friday, April 20, 2018.

Traders and research analysts are optimistic on a rebound in the near term, saying they anticipate improved sentiments in the market as investors would seek bargain-hunting opportunities in fundamentally sound stocks that had depreciated with attractive entry prices, especially with Q1 2018 earnings trickling in.

Their optimism is also hinged on the fact that despite the weaker performance last week, the equities market recorded improved activity level and investor sentiment w-o-w.



Equity Review

A review of the market last week indicated that market capitalization lost N41.1 billion in value to settle at N14.7 trillion.

The bearish performance of the week was largely due to losses in DANGCEM (-4.0%), NIGERIAN BREWERIES (-3.0%) and 11PLC (-14.0%). However, activity level strengthened as average volume and value traded surged 112.6 percent and 54.2 percent to 601.5 million units and N6.1 billion respectively.

The most traded stocks by volume this week were FCMB (1.1bn), UBA (407.2m) and OANDO (187.1m) while, GUARANTY (N7.9bn), UBA (N4.5bn) and ZENITH (N4.2bn) were the top traded stocks by value.

At the start of the week, the ASI fell 97bps, paring gains from the previous session. However, on Tuesday, bargain hunting in bellwethers – SEPLAT, ZENITH and UBA drove the ASI northwards. Profit taking in the subsequent session dragged performance before rebounding on Thursday following price appreciation in DANGCEM. To close the week, the ASI fell 14bps.

Performance across sectors was largely bearish w-o-w as three of five indices under our coverage trended southwards. The insurance index depreciated the most, falling 1.2 percent w-o-w on account of price depreciation in CONTINSURE (-7.4%), WAPIC (-3.6%) and NIGERINS (-8.8%). Similarly, losses in NIGERIAN BREWERIES (-3.0%), FLOURMILLS (-4.9%) and INTEBREW (-5.0%) pulled the Consumer Goods index 0.9% lower w-o-w while the industrial goods index closed flattish albeit negative (-4bps), dragged by losses in DANGCEM (-4.0%).

On the flipside, the banking index was the top performer, inching 2.3 percent as gains in bellwethers – UBA (+5.2%), ZENITH (+3.4%) and GUARANTY (+1.8%) buoyed performance. The Oil & Gas index also appreciated, up 0.7% w-o-w, propped by upticks in OANDO (+39.1%) and SEPLAT (+5.6%).

Investor sentiment as measured by market breadth (advance/decline ratio) strengthened to 1.1x from 1.0x recorded the prior week consequent on 34 stocks advancing against 32 decliners.

The top performing stocks this week were OANDO (+39.1%), SKYE (+18.8%) and JBERGER (+14.9%) while AGLEVENT (-14.1%), 11 PLC (-14.0%) and MBENEFIT (-12.1%) were the worst performing.

Overall, a total turnover of 3.008 billion shares worth N30.296 billion in 24,036 deals were traded this week by investors on the floor of the Exchange in contrast to a total of 1.415 billion shares valued at N19.644 billion that exchanged hands last week in 20,659 deals.

The Financial Services Industry (measured by volume) led the activity chart with 2.539 billion shares valued at N23.510 billion traded in 13,179 deals; thus contributing 84.43 percent and 77.60 percent to the total equity turnover volume and value respectively. The Oil and Gas Industry followed with 273.443 million shares worth N2.358 billion in 3,735 deals.

The third place was occupied by consumer goods industry with a turnover of 60.840 million shares worth N2.654 billion in 3,141 deals. Trading in the top three equities namely – FCMB Group Plc., United Bank for Africa Plc., and Oando Plc.(measured by volume) accounted for 1.816 billion shares worth N9.599 billion in 3,851 deals, contributing 60.37 percent and 31.69 percent to the total equity turnover volume and value respectively.

Summary of price changes

A total of 36 equities appreciated in price during the week, lower than 37 in the previous week, while 33 equities depreciated in price, lower than 38 equities of the previous week. 100 equities remained unchanged higher than 94 equities recorded in the preceding week.

Index movement

The NSE All-Share Index and market capitalization depreciated by 0.28 percent to close the week at 40,814.89 and N14.743 trillion respectively. Similarly, all other indices finished lower with the exception of NSE CG, NSE Premium, NSE-Main

Board, NSE 30, NSE Banking, NSE Oil/Gas, and NSE Pension indices, which appreciated by 1.08 percent, 1.38 percent, 0.54 percent, 0.13 percent, 2.34 percent, 0.73 percent and 1.42 percent respectively.

Other products Review

Exchange Traded Products (ETPs)

Also traded during the week were a total of 177,144 units of Exchange Traded Products (ETPs) valued at N2.809 million executed in 6 deals, compared with a total of 616,587 units valued at N9.185 million that was transacted last week in 21 deals.

Bonds

A total of 13,735 units of Federal Government Bonds valued at N14.128 million were traded in the week in 16 deals, compared with a total of 2,500 units valued at N2.367 million transacted last week in 10 deals. Additional volumes of 10,053,532 units and 45,102,500 units were added to 14.50 percent FGN JUL 2021 and 13.98 percent FGN FEB 2028 bonds respectively on Friday, April 20, 2018.

INDEX MOVEMENT

	WEEK CLOSE 13/04/2018	WEEK CLOSE 20/04/2018	WEEKLY CHANGE	WtD	MtD	QtD	YtD
				% Change			
The NSE All-Share Index (ASI)	40,928.70	40,814.89	-113.81	-0.28	-1.66	-1.66	6.72
NSE CG Index	1,621.73	1,639.18	17.45	1.08	-1.21	-1.21	8.02
NSE Premium Index	2,934.48	2,975.03	40.55	1.38	0.84	0.84	16.02
The NSE-Main Board Index	1,775.14	1,784.72	9.58	0.54	-0.54	-0.54	4.14
NSE ASeM Index	978.72	966.49	-12.23	-1.25	-2.23	-2.23	-11.11
NSE 30 Index	1,838.42	1,840.84	2.42	0.13	-1.78	-1.78	5.39
NSE Banking Index	502.28	514.04	11.75	2.34	-1.25	-1.25	8.12
NSE Insurance Index	149.83	148.08	-1.75	-1.17	-1.99	-1.99	6.25
NSE Consumer Goods Index	960.96	952.67	-8.29	-0.86	-2.60	-2.60	-2.40
NSE Oil/Gas Index	350.28	352.82	2.54	0.73	1.70	1.70	6.69

PRICE ADJUSTMENTS

S/N	Security	Closure Date	Last Close Price	Dividend	Ex-div Price
1	Dangote Cement Plc	16th of April, 2018	N260	N10.50	N249.50
2	Continental Re-Insurance Plc		N1.89	N0.14	N1.75
3	Unilever Nigeria Plc		N52	N0.50	N51.50
4	Transnational Corporation of Nigeria Plc	18th of April, 2018	N1.65	N0.02	N1.63
5	NASCON Allied Industries Plc	20th of April, 2018	N22	N1.50	N20.50

Top 10 Price Gainers

Company	Open	Close	Gain (N)	% Change
OANDO PLC	6.90	9.60	2.70	39.13
JAIZ BANK PLC	0.71	0.86	0.15	21.13
SKYE BANK PLC	0.80	0.95	0.15	18.75
JULIUS BERGER NIG. PLC.	23.50	27.00	3.50	14.89
UNITY BANK PLC	1.11	1.27	0.16	14.41
N NIG. FLOUR MILLS PLC.	6.25	6.85	0.60	9.60
N.E.M INSURANCE CO (NIG) PLC.	2.40	2.62	0.22	9.17
REGENCY ALLIANCE INSURANCE COMPANY PLC	0.28	0.30	0.02	7.14
ETERNA PLC.	6.15	6.52	0.37	6.02
ECOBANK TRANSNATIONAL INCORPORATED	18.40	19.50	1.10	5.98

Top 10 Price Decliners

Company	Open	Close	Loss (N)	% Change
A.G. LEVENTIS NIGERIA PLC.	0.64	0.55	-0.09	-14.06
11 PLC	200.00	172.00	-28.00	-14.00
MUTUAL BENEFITS ASSURANCE PLC.	0.33	0.29	-0.04	-12.12
NIGER INSURANCE CO. PLC.	0.34	0.31	-0.03	-8.82
PRESCO PLC	72.00	66.00	-6.00	-8.33
UACN PROPERTY DEVELOPMENT CO. LIMITED	2.80	2.58	-0.22	-7.86
LIVESTOCK FEEDS PLC.	0.90	0.83	-0.07	-7.78
FIRST ALUMINIUM NIGERIA PLC	0.53	0.49	-0.04	-7.55
CONTINENTAL REINSURANCE PLC	1.89	1.75	-0.14	-7.41
NASCON ALLIED INDUSTRIES PLC	21.50	20.25	-1.25	-5.81

NASD OTC market index gains 3.4% w-o-w

The NASD OTC market ended last week with an increase in market metrics, as the NASD USI increased by 3.4 percent, closing at 688.31 points (as against 665.79 points last Friday). Consequently, total market capitalisation gained 3.4 percent in the week, closing higher at N465.80 billion compared to N450.56 billion last Friday.

Q&A INSIGHTS FROM NIGERIAN AND INTERNATIONAL BUSINESS & CORPORATE LEADERS

Nigeria operates unecono illiquid gas, power sector

Dada Thomas, Managing director of Frontier Oil limited and serving president of the Nigeria Gas Association spoke to business a.m. on the investment climate in the Nigerian gas and power sector, and the myriad of challenges operators face, from pricing to fiscal laws governing operations in the sector, as well as the way forward to make the industry attractive to investors. Bukola Odufade presents the excerpts:

The country has seen as a lot of increase in the gas industry over the years but not as rapidly as we would hope since Nigeria has the largest gas reserves in Africa. What could be the reasons for the low exploration levels of gas in the country?

You are correct; Nigeria has 192 trillion standard cubic feet of gas which is the largest in Africa but domestically we are not really using that gas as best as we ought to been. But for export, we have done reasonably well with the Nigeria LNG project, which is a world-class company. They claim they pay over $12 billion to government coffers in terms of tax; it is a wonderful company. But domestically, the international oil companies that have been in Nigeria for 60 to 70 years have not been willing or interested in doing domestic gas and the reasons are not far fetched: Government has always controlled pricing and up until recently the price was very low. Indeed, there was a time it was low as 10 kobo and then N10 naira, which is terrible given the fact that they are compelled to be paid in naira for their gas while they were investing in dollars.

It was just recently that the pricing, still regulated, moved up from an abysmal level to what is now emerging to be a reasonable level, but we are not quite there yet. So, pricing is low.

But even when I say that, one needs to be careful. If you talk to the upstream gas producers like Frontier Oil, MD Western, Seplat etc. they would complain gas prices are low but if you talk to people buying gas in Lagos to power their factories, they would scream to high heavens that gas prices are too high because they pay $7:20 equivalent in naira; $7 multiplied by N305 is a lot of money. However, in 2015 they paid the same $7 but at an exchange rate of N170, meaning the price has remained stagnant in dollar terms while gas expenditure by producers has doubled.

Now, in the last few years, especially under the previous regime, the government migrated gas price from a very low level of 10–15 cents etc to initially about $1, then to $1:15 now we are at a $2:50 minimum price for the power sector, which is the largest consumer of gas in Nigeria. At the exit of the processing plant they are allowed an 80 cents per thousand cubic feet for transportation, that is if you are going to deliver gas to a power plant and depending which distance you would be delivering at, it would be about $3:30 per thousand standard, which is quite reasonable. Though that is not the ideal situation, it is somewhat comparable with international prices and other domestic regions since gas prices have crashed all over the world just as oil price crashed. So pricing has always been an issue, but it is getting better but we are not quite there.

Second issue was that, in those old days, the biggest consumer and really the only consumer domestically was NEPA, that old useless entity. NEPA will take all the gas from the IOCs and never pay for it, not that they may pay, they didn't pay so there was a huge debt piled up, which was only addressed recently by the last administration and the current government. But even then, there is a lot of backlog of legacy debt that is unpaid. So why would you want to invest in domestic gas when you know that your investment is going to be in U.S. dollars and your receivables in naira, which may not even get paid at all.

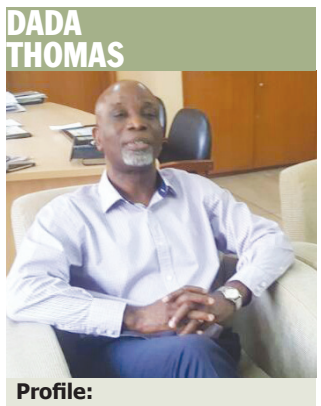
Recently, indigenous companies such as ourselves and the likes of Seplat, Frontier Oil, Seven Energy, Niger Delta Western, entered the fray, believing that we should contribute towards building the nation by investing in domestic gas. In fact, we had the options of investing in export but we said no lets develop the domestic market. But guess what? The situation that has been prevailing for 40 years is still prevailing today, which is making the domestic gas market extremely challenging. And how do I mean? Government is still regulating the prices; I have told you now that the minimum price for gas is $2 fifty cents plus 80 cents per thousand standard cubic feet. But in mid-2015, the central bank governor introduced a monetary policy that said, all transactions in Nigeria must be paid for in naira so whether it is you are sending your child to BIS in Lekki, you must pay it in naira. No more paying for your rents in highbrow environment in dollars, same applied to gas business. Our gas contracts are actually in U.S. dollars, the invoices are issued in U.S. dollars but now we are been paid in naira, that wouldn't have been bad if there was not the fact that we are being paid at the CBN rate which is now N305, but when you want to buy dollars to repay your loan you have to go the market and the market rate is N365, so you are losing N65 for every dollar of gas you sold.

In 2016 we lost up to N200 for every dollar of gas sold; remember the market went to 510 and CBN was 305, I was going crazy then because I was losing 40 percent of my income, essentially.

Today we are losing 18 percent of our income that is not a fair thing, so the foreign exchange risk exposure that the gas suppliers are bearing on behalf of the gas to power sector is not fair. Why should we invest dollars and be paying in naira and suffer an 18 percent value erosion. The fair thing would be that the government would allow us to access dollars at the same exchange rate that which we are paid or make an exemption and pay us in dollars or why don't you just pay us at the market rate rather than CBN rate. So if I'm paid at N360, I will also go and buy dollar at N360, so I am not suffering any exposure. We are just saying that we need equity in this transaction that is one, it was there 40 years ago, and it is still there today. Firstly, I have talked about price, and the reason I mentioned was the foreign rate exposure.

The third thing, which is very challenging for the domestic gas market is that 80 percent of the Nigeria domestic gas is used by the power sector. That same power sector that has been privatized but it is sick because of the privatization has not been implemented properly since the DisCos who are the people that all consumers interface with are not getting enough electricity to sell. Again the price at which they are selling electricity is not market reflective. I don't like the word, cost reflective. I prefer market-reflective because if you say cost reflective, that means I can build up my cost anyhow, and then say my cost is this and you have to pay. But market reflective means you go for efficiency, so there would be 5 to 10 players and you go with the most efficient. So let's go with a market reflective tariff, which we know would cover any prudent operators' requirements. They are not selling enough power and they are not collecting efficiently, which is their fault. Collection efficiency has dropped drastically in Nigeria from 60 percent in the days of NEPA to under 30 percent today, which is bad. And then the price at which they are selling is bad. So, put all these together, which are all negative and reinforcing. Basically the DisCos are not collecting enough money to send back to the transmission company, to pay the generating companies, to the transportation companies that transport the gas, and to pay me, the poor guy who is the foundation of everything.

DADA THOMAS



Profile:
He has over 37 years of experience in the oil and gas industry majoring chiefly in Process & Facilities Engineering & Project Management. Engr. Thomas worked for 21 years with the Shell Group and managed a variety of increasingly complex engineering projects and general management roles in both Nigeria and Holland before setting up Frontier Oil Ltd.

Education:
He is a graduate of Loughborough University of Technology, United Kingdom and is a registered engineer in Nigeria and Alberta, Canada.

By strangulating the gas industry with taxes, people will not invest and that means we can't generate more than 5 gigawatts of power

Q&A INSIGHTS FROM NIGERIAN AND INTERNATIONAL BUSINESS & CORPORATE LEADERS

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> "But policies are not laws, policies are policies and they can change anytime, it is laws that people truly look for when they want to have certainty that they have rights and protection"

So the sector is completely uneconomic and illiquid right now,. The impact therefore is that the power sector debt which is more than N250 billion as we speak, and growing is killing us. Now the federal government did try to do something about that last year when it initiated what is called the payment assurance guarantee scheme whereby NBET via the CBN will pay power generating companies and the gas suppliers their due, gas invoices starting January 2017 and ending December 2018. So for a 2-year period, we make sure you are paid but they are not addressing the debt before that, and interest is piling on that, so how will that be paid? If that scheme ends in December 2018, what would happen in January 2019, would the power sector issues have been resolved such that electricity tariff is market reflective? Would collection efficiency have increased? Would the DisCos have rolled out metering so that they are actually improving and they know what to bill the consumer? And would they send back enough revenue to the transmission company, generating companies, gas transportation companies and gas suppliers? Would they send enough money to sustain the entire sector? So there is great doubt. As we sit, that payment assurance guaranty scheme by NBET and CBN has only paid up to August 2017, so there are 7 months of unpaid invoices, while interest is piling up. I can't pay my debt, it is not a sustainable model, what should happen is that they should be up to date, they should have paid up to February invoices. If I sell you goods, you have a shop and I have a factory, and I give you 30 days credit, you come and collect my goods, and go and sell it, in 30 days, you sell and put money in my account, you are not doing me a favour by putting money in my account, you are meeting your contractual obligations, which allows me to continue to supply you with goods. That is not what is happening in our sector therefore it is very challenging for people to continue to invest in the Nigerian domestic gas market.

On top of that, there is no proper infrastructure for moving gas from where it is produced in Niger Delta to where it is consumed in the south east region, south-south region, south west region and the rest of the country in the north; there is not enough distribution of pipelines system to efficiently and cost effectively distribute that gas. So, we need to invest huge in gas infrastructure. In a country like this, we are going to need easily 4-5 thousand kilometers of gas pipelines, to truly unlock that 192 tscf. We haven't got anywhere near that. Therefore we need tens of billions of dollars every year in upstream investments for production and processing just as we need lots of money for transportation to get that gas to consumers. Nigeria hasn't got that money, which has to come from external investors. Why would they want to come into the country when there is so much uncertainty about the policies, the laws and regulations? Now the good thing is that on the policy level, that has been addressed, the gas policy was approved as part of the petroleum sector reforms called the 7Bigwins, which started in December 2016 by the president. But policies are not laws, policies are policies and they can change anytime, it is laws that people truly look for when they want to have certainty that they have rights and protection. So that thing you have been hearing about called the Petroleum Industry Bill is critical now, to helping consolidate all of this. The original petroleum industry bill which has been in the making for more than 14 years, was broken into 4 by this assembly, they passed the first one called petroleum industry governance bill, which is awaiting assent of the president and we are eagerly waiting for him to sign the bill into law. The remaining three are the following; the petroleum administration bill, the petroleum fiscal bill and the petroleum host community bill. Now of those three, the most important to the investors is the fiscal bill, because it is the fiscal bill that would give him the opportunity to do an economic analysis, and determine whether the risk is worth the rewards. And if it is worth the rewards, he would invest and if it is not worth the rewards, he takes money somewhere else.

If there are enough rewards, he could tolerate the community issues, because despite all of that, the investor is still making money. So in my view, the national assembly is working to pass the remaining bills at the same time. For me it is unfortunate; I wished they had accelerated the fiscal bill just as they had accelerated the PIGB. But in actual fact, it is good that they haven't done it. From the discussion between practitioners such as myself, other colleagues, international companies, and local companies, we are not quite happy with the fiscal bill as it is right now. We have run numbers and we still believe that given the business circumstance in Nigeria, the fiscal bill is not good enough to attract investors. Maybe if Nigeria was Utopia and perfect, with no community wahala, you didn't have to have an army to guard your staff and assets in the field, you didn't have to run diesel to power your offices, you didn't have corruption killing everything you are trying to do, no huge delays at the ports, maybe the fiscal bill they are proposing would be enough. But we are dealing with a system, where I just told you, just by monetary policy, you wipe away 18 percent of my income. Do you know what that means when you run your economic analysis, 18 percent of your income means your project is dead on arrival. So, we believe that the fiscal has to be better than it is as we are discussing now. We are engaging with the government at the policy-making level at the ministry of petroleum and at the national assembly who are going to promulgate the law. We are airing our views and they are listenin, which is a good thing, and so there has been a shift from where they were and where we were and we are closing the gap. Hopefully, we would close the gap on the fiscal bill at a point where it would be a win-win for the investors who see it as attractive enough because remember the dollar is a global currency, and investors have a global field to play in, if you are not attractive, I'll go somewhere else. The returns might not be as good as yours but it don't have all they wahala that you guys give me.

So we have to try and have a win-win fiscal bill that would attract investors, and a fiscal bill that will be good for Nigeria, now my viewpoint as the president of Nigerian gas association, and the viewpoint of my association is that fiscal policy

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Nigeria gas...

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should not try to use gas as a source of revenue. They are imposing too much tax on gas development. They should be incentivizing gas investors.

So, have there been incentives provided for gas investors?

There has always been incentive for gas development in Nigeria as that is the reason we have the NLNG company. There were special acts promulgated in the 80s to get the framework for investors to invest in the NLNG. There was the NLNG act, a special act, there have been AGFA, the associated gas framework agreement, there has been NAGFA, non-associated gas framework agreement, all of these things were promulgated to make sure that instead of flaring gas, we would harness that gas and monetize it. So NLNG was born out of that incentive, the Chevron gas to liquid project in Escravos was born out of that incentive, West African gas pipeline, all these benefitted from those incentives. But those incentives primarily relied on the fact that you can take your gas expenses, which is a loss making business and write it off on oil, what is why people made the investments; you could take your gas investments once it is not profitable and write it off against oil which is always profitable. And that is one of the major sticking points the fiscal policy that is being designed by the government is bent on eliminating AGFA, the ability to write off your gas expenses against oil. Those who have oil and gas operations don't want that, and I say to them there is a solution, the grandfather existing agreements; if people have already made investment decisions on the basis of AGFA, leave it alone, ring fence it, but going forward, you the government who is trying to make sure that additional players can come into the game, not just IOCs or some indigenous players, but anybody who wants to invest in the gas project can come in because the gas projects alone by itself is profitable and economic. So therefore, if the government wants to remove AGFA, it should grandfather existing agreements but they should make sure that the standalone gas projects are viable on its own without needing support.

Government has to give us incentives and fiscals, which would allow a gas project to stand alone. So what do I want? First of all, gas has always been taxed at 30 percent company tax, but now, in the fiscals there is something the hydrocarbon tax, for oil it will vary from about 30 to 50 percent, so that would be 30 company tax plus 50 hydrocarbon tax making 80 percent tax depending on terrain, but for gas the hydrocarbon tax is zero so effectively retaining the 30 percent company tax, that is good. I wished they had actually reduced it because I'm talking about incentivizing. Secondly, government should be granting large tax holidays for gas investors and the reason for this is that a gas investment is easily two to three times larger than an oil investment, and gas income is very low compared to oil projects, internal rate of returns, and MPV are far lower. So gas investment take a long time to pay off; an oil investment may pay off in three to four years, but a gas projects may pay off in seven to 12 years. So we are asking for tax holidays, a period where we pay zero income tax, which would allow us basically recoup our money, as fast as possible, re-invest and attract investments.

We are also asking for any sort of waiver on duties, on materials which are used on gas projects, they should not be subject to import duty and such. Right now, that concession is available for the mid-stream but not for the upstream. We think it should be for the entire value chain because we want to have a gas-based industrialized nation so why don't we incentivize anything gas related? So ultimately what I'm advocating is that government should not be seeking to make immediate tax revenue from gas but should use gas by not taxing it to develop, give enough gas to generate all the power needed in the country, or a substantial amount. This would galvanize local industries, get them growing, as well as the economy, and that is where we would then get taxes from, the V.A.T, PAYE and so on because more people are being employed. It is not by taxing the source that could have helped to grow the economy. By strangulating the gas industry with taxes, people will not invest and that means we cant generate more than 5 gigawatts of power, and I have a simple equation, more gas equals more power equals more economic diversification. This is closer to the economic recovery growth plan (ERGP) of the government. Power is the core of it, you cant grow a country without power and if you don't believe me, right now, we generate less than 5 gigawatts but the reality is that Nigerians are generating over 40 gigawatts by themselves, we are our own power generating companies, and everyone is bleeding because substantial monies that could be put into economic use is being wasted, on generators.

So we would like to see that fiscal bill really attractive, to incentivize gas investments so that we can unlock the 192tscf, make it attractive for people to invest in the upstream, in the wells, in the midstream, the processing plants and transportation pipelines, which would deliver gas to your doorstep and to factories. Remember they just awarded the AKK pipeline, going from Ajaokuta to Kaduna to Kano, which would hopefully help to revive all those textiles factories that have closed down in the north. It would help to address all these unemployed young people in the north, who are cannon fodder for Boko Haram.

Lastly, the issue of regulation, this government is very happy about moving Nigeria from 167th position on the ease of doing business ranking to 146th, but I tell you the reality is that I am more frustrated than ever in doing business in Nigeria. I'm really at a point where I'm saying that what is going on here? It is supposed to be getting easier not harder. My experience right now is that in its quest to fill its coffers, government agencies have gone haywire, in trying to implement laws and regulations and they are putting the squeeze on all the people in their sectors without due regard for the inequity and injustice and the unreasonableness of the way they are acting. I remember Fashola when he was inaugurating the new board of NERC, he said go and do your job and be fair, but businesslike. The key word is fair, what we are seeing in the gas industry is this, if you are unfortunate enough to be selling gas to government owned power plants, they would take your gas and not pay for it, that is why there is 7 months backlog of payments so far, that is why we have all the billions that were accrued before 2017. Now the Department of Petroleum Resources (DPR) is coming around to gas producers and saying that since they have issued invoices, they have to pay royalties immediately, despite the fact that they have not been paid. And secondly, the royalties must be paid in dollars because the invoices were issued in dollars. But gas producers are saying that they can't pay because federal government-owned power plants have not paid for the gas supplied to them. Also, how can gas producers pay in dollars when they are being paid in naira in accordance with the policies of the federal government, which DPR is an organ of. But they said it is none of their business, and that the law said you must pay in the currency of the invoices. So we are saying that this is not equitable, in the way rules and regulations are being implemented. They are supposed to look at what is happening and ensure that their sectors survive; regulators are not supposed to kill sectors, they are supposed to help them thrive. So, it is unfair of them to demand royalties when we have not been paid and it is not that we have not been paid by private sector but by the same government they work for. So it is unfair they are demanding we pay in dollars when they know that by the promulgation and act of the government they are serving that we are paid in naira. We are telling them that the bigger picture is that investors are being scared away because they are looking at this and saying it doesn't make sense, how can anybody operate in this kind of manner. So the civil servants don't seem to care about the bigger impact of their actions on this nation, or the impact their actions has

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on the investors and Nigeria as an investment destination. There are many others but those ones that I mentioned are the key ones that need to be solved.

What we really want is government to be truly open and creative about how we move this forward, collaborative with business, because no country can survive by killing its business, it is businesses that would create the job opportunities that would employ the millions of youths that are roaming the streets. If you walk to the streets of Nigeria, you would see young Nigerians walking around with nothing to do; they are hungry, angry and have no hope. That is why 60 percent of people trying to cross the Mediterrean are Nigerians, 40 percent of them are female and they return back to Benin or somewhere else and they want to go back again. Because they have no hope in their own nation. The only way we can do it is to truly fulfill the aspirations of the government, by turning Nigeria into a gas based industrialized country, which means you have to manufacture goods and services locally, have factories, offices, soaking up the youths and talents and goods would be available for consumption locally and for export. But without gas, this can't happen, because no gas equals no power equal no economic diversification.

As the president of NGA and also as a stakeholder in the gas industry, this is supposed to be a recurring conversation that you have with government, so has there been any steps taken by the government to solve all these problems you listed?

It is a conversation that the Nigerian GAS Association even before I became president been having and we intensified it throughout 2017. The primary objective we as NGA have been focusing on and advocating for is engagement with policy makers. The ongoing debate on fiscal policy we are heavily engaged in that too; we are talking to the lawmakers on the same issue too, we engaged with the House committee on gas and the senate committee on gas and working with them. We are ready to always support them and provide them with know-how and knowledge into the laws they are making. We are making progress and that is a consequence of engagement. The good thing is that there has been an engagement approach adopted by this government so the policy makers in the petroleum ministry have been interacting with stakeholders like us, with the NGA, association of indigenous oil and gas producers, which is an indigenous counterpart to the OPTS. And we would keep on this engagement and hopefully out of the engagement will come to a win-win petroleum industry bill, with the fiscal bill being correct and good for Nigeria. It has to be competitive, if it is not competitive, money will not come to Nigeria. So the engagement is being yielding results, we have changes, from the initial document we got from government to where we are today but there has to be a closure, and what we are finding out in Nigeria today is that speed of policy articulation and implementation is bad. It is at snail pace, the world is moving on, the world is moving so rapidly and we are moving so slowly, and we are losing out on all fronts. In Ghana, just around the corner, they went from having a policy about gas development, to having producing gas systems in five years, the first NLNG in Nigeria took 30 years from actually think about to doing it. The bureaucracy is a Nigerian thing that is killing all of us. In this day and age, we have to move rapidly but efficiently and accurately. We are not there in Nigeria in any shape or form, and we are being left being in every sector, people are moving at lightning speed, and example is our PIB, which has been in the works for over 14 years. So speed is something Nigeria has a nation needs to think about. And of course, we need consistency in policy formulation. The minute another government comes up, they junk that old one and start a new one. It is just value destruction for everyone, because we are going nowhere. There should be a ten to twenty year development plan, with any government following it, no matter who you are. And the key to it is the civil service and the Nigerian civil service has failed Nigerians, because government go, government come, but civil service remain the same, and they have failed Nigeria woefully. Speed is a great problem, it is a killer.

Is government providing any incentives currently to encourage investments from IOCs and indigenous companies to the gas industry?

Government argues that they can't be partial, in making laws and I say what are they talking about? Let's look at Japan, when it was developing, people used to look at Japanese goods as trash like Chinese goods are viewed today, the Japanese had a special ministry, I think it was called MITE, which would take a sector or 5 sectors, and develop local champions for these sectors, they would incentivize, that is why they have giant companies like Toyota. Toyota is virtually the largest car company in the world, and when you are talking about quality, it is a quality brand, and that is how they have their dominance in electronics, and other sectors. Because the government took some sectors and some companies and championed them. I think that in Nigeria, we haven't really understood that and the reason why is because we over politicize everything, so there is no looking at issues on its own merit. Everyone is thinking at sub national levels, and even worse than that, most of the people in position of authority are thinking at tribal and village levels. We need leadership that thinks at the national levels, we have a long way to go.

According to the government, it makes use of pricing as a social tool, in order to enable Nigerians to have access to power and also LPG, but is this method sustainable?

I believe that government has the responsibility to seek the welfare of all its citizens irrespective of class and wealth but it has to be sustainable. We have to find sustainable, equitable and economic ways to doing things. The reality is that if we take the example of the telecoms sector, government has very little control in that sector, and what government did that was excellent was to privatize and get rid of the monopoly called NITEL, and I can assure that in 1998, a cell phone was N290,000 and the exchange rate was 50 naira to 1 dollar so many thousands of dollars. But today, the SIM is free, they are going to get to a point where other countries have reached, where they give you a phone free because they make their money on airtime and data. All that came about not only because there was privatization but because there was competition. Those are the two elements you need, privatization and competition, government has no business running businesses. I'll give you a very good example of this: You must have heard about the Eleme Petrochemical called Indorama Eleme Petrochemical Limited, it used to be a sinkhole where money was just being sunk in by the government, and nothing came out of it. Indorama today bought the plant, it is one of the most successful companies in Nigeria, not only it is producing petrochemicals but they have now built fertilizer plant, which is one of the best in Africa and they are currently building a second train. They make so much money and the communities are benefitting to the extent that you can't go near Indorama and say you want to do any harm to them. The community will defend them with their lives. The company is producing, employing people, but that it just

> Everyone is thinking at sub national levels, and even worse than that, most of the people in position of authority are thinking at tribal and village levels. We need leadership that thinks at the national levels, we have a long way to go

used to be a black hole that sucked government money. So, government has no business running businesses, just privatize and ensure competition through healthy regulations, which inevitably, in my view, would allow market forces to deliver value to the people. Today, we are regulating petrol but we are not regulating diesel. Is there any shortage of diesel? no but there is always a shortage of petrol. The same poor people suffer because the petrol you are complaining that is at N145 per litre becomes N300, you would be begging those roadside boys to sell to you. And then the transporters will also hike their fees and the poor people you are trying to protect will still enter and do what they have to do. I think it is a falsehood for government to be regulating gas prices, on the premise that power sector is the largest consumer and it would impact on the cost of power, studies has shown that gas price is not the major determinant of the price of power. Other factors are; if you double the gas prices, it would barely move the needle of the gas prices. Other factors like return of the franchise, the investments and so on are the major determinants. So I think that government should get out of regulating commercial price, and should promote privatization and competition such that we are all competing for everyone's penny. So whether I'm a rich or poor man, I go for the most efficient price. But for that to happen, we have to have that gas distribution network managed by an efficient private sector company not government, that would allow me to inject my gas here and you to inject there, and you to take here and me to take there, and it is called gas swaps. So, I can have a contract with you in Lagos but I'm actually in Eket producing gas, I'll just put my gas in and someone close to Lagos puts his or her gas in, and you take his gas and I will give his customer my gas. For that to be effective, we need the infrastructure and regulation called the gas network code. It is a system that would be managed by the DPR and would allow people to inject anywhere and take out anywhere and the molecules that have been injects is the same that the person on the other end would take out. No cheating and loss, there would be total accountability and transparency. And that gas network code has been in the works since 2011, and we have closed it yet, and the DPR says they are suffering from some obstacles, so we are engaging with them, it is a good thing to have, it allows everyone to have trust in the system, and that would be of benefit to the consumers. So what are these obstacles they are facing because they keep mentioning obstacles and we don't know where they are coming from?

I think they have done the work, we have engaged them that we would like to see what they have done and they haven't yet agreed to a meeting with us but it takes substantial funds to roll out this problem so I think part of the obstacles may be that they lack the funds to roll it out but it is essential regulation that must be implemented if people are going to get the benefit of moving efficiently.

Lastly, in order to drive growth in the gas industry, what kinds of investments are needed?

We have done some studies and to move from producing 7.5 billion cubic feet of gas daily, most of it for export, and 30 percent is utilized domestically, to about 1.2 bscf, we are going to need to invest about $24 billion in the next three or four years, so that is about $6 billion annually and then after that, we are going to easily need up to $10 billion per annum in upstream and midstream infrastructure. You can see the AKK pipeline, just one pipeline covering 200 kilometers costs $2 billion. So these are substantial figures and I think within the next ten year period, we are going to need and I'm giving you a wide range, between $50- $150 billion to truly get our gas systems working. It is a lot of money and that money doesn't exist in Nigeria, it has to come from outside and therefore, that is why I'm telling you that the most important part of the PIB is the petroleum fiscal bill. Remember these guys are not Nigerians, they are going to sit in various places like New York and London, Hong Kong and they have the entire planet to invest in. East Africans are more attractive than us because they are friendlier and they welcome businesses. I am not experiencing the new ranking of the ease of doing business in Nigeria. I'm finding that doing business is getting worse on a daily basis, because government agencies are trying to kill businesses. And investors who haven't got the stamina that I have would not invest since they don't have to tolerate all that. They look at sanctity of contracts and whether the countries are hassle free and even if returns are higher but with hassle, they would prefer going with hassle free.

Apple shares sink on fears of slowing iPhone sales

business a.m. with Agency report

GROWING FEARS that Apple will report sluggish iPhone sales when it releases its earnings on May 1, 2018 may have been responsible for dips in the share price of the company.

Apple's stock is as red as the newest version of the iPhone 8, analysts say.

Shares of Apple fell more than 3 percent Friday, April 20, 2018, and they are now down nearly 5 percent as of last week. Apple's stock has given up its gains for the year.

Morgan Stanley's Katy Huberty slashed her iPhone shipment projections for the quarter ending in June on Friday, citing weakness in China. Canaccord Genuity's Michael Walkley also cut his iPhone sales forecasts and cut his earnings estimates for Apple too.

It doesn't help that the chief financial officer of a key Apple chip supplier, Taiwan Semiconductor (TSM), warned of "mobile softness" and "continued weak demand" when it reported earnings this week.

That's a big reason why shares of other semiconductor companies that make processors used in iPhones were hurting as well.

Shares of Qorvo, Skyworks Solutions and Cirrus Logic plunged last week, as did the broader Philadelphia Semiconductor Index.

It's possible that Apple's iPhone X, which does not have a home button, uses facial recognition and lacks a jack for headphones, may be a little too different for people used to iPhone upgrades being more evolutionary than revolutionary.

Most analysts cite weak iPhone X demand as the biggest problem for Apple.

But the big question now for investors is whether Apple woes will be a drag on the broader market for the foreseeable future.

Apple is the most valuable company in the world, worth more than $840 billion. The drop in Apple's stock price Friday was one of the big reasons why the Dow, which Apple is a member of, fell more than 200 points. The broader S&P 500 and Nasdaq sank too.

Other big tech stocks also tumbled Friday. But interestingly enough, the other four of the so-called FAANG stocks are all still up for the week.

Facebook , which will report its latest earnings on Wednesday, has gained about 1 percent on hopes that the Cambridge Analytica data scandal did not lead to a mass defection of users and advertisers.

Amazon has soared more than 7 percent after the company announced a deal to sell Fire TV sets at Best Buy (BBY) and said that it had more than 100 million Prime members. Amazon reports its earnings on Thursday.

Netflix surged 7 percent thanks to its latest earnings report. The company wowed Wall Street with better than expected subscriber growth in the US and internationally.

Google owner Alphabet is up 3.5%. It reports earnings on Monday.

> Apple's stock is as red as the newest version of the iPhone 8, analysts say

Analysts expect continued strength in its core search advertising business. Google may also benefit from iPhone softness if more consumers are buying phones running on Google's Android operating system.

So it looks like investors believe that, for now at least, one bad Apple shouldn't spoil the rest of the Big Tech bunch.

AT&T's 5G 'foundation' technology is now live in 141 markets

AT&T is touting the rollout of its pseudo-5G technology to more than 100 new markets.

AT&T says that the rollout of its 5G Evolution technology serves as a network primer for actual 5G because it includes upgrading cell tower infrastructure with advanced LTE features that will support 5G when it's ready.

AT&T's 5G Evolution technology has theoretical peak speeds of up to 400 megabits per second on capable devices, which currently includes the Samsung Galaxy lineup (S8, S9, S8+, S9+, Note8 and S8 Active), as well as the LG V30 and Moto Z2 Force Edition. AT&T now has 141 markets set up with the technology.

The company said it has also rolled out LTE-Licensed Assisted Access (LTE-LAA) in parts of three new markets. The enhanced LTE can reportedly reach speeds of up to 1Gbps.

"We'll continue to build our 5G foundation across the country and along the way we'll keep sharing updates on 5G trials, new 5G Evolution markets, new LTE-LAA markets, and name more cities where we'll launch standards-based mobile 5G in 2018," said AT&T chief technology officer Andre Fuetsch, in a blog post. "We're building now to prepare for a 5G future."

Earlier this month, AT&T outlined the progress of its live 5G trials, saying that it plans to offer 5G devices to its customers by the end of 2018.

AT&T said it's using its ongoing 5G trials to gather data on what is working, what's working, what's not and why, whether millimeter-wave (mmWave) spectrum is working for 5G, and how it can hit high speeds.

Google, Samsung looking to acquire Nokia Health

SAMSUNG AND GOOGLE-owned Nest are believed to be two of the four companies that are interested in acquiring Nokia Health. Apart from these two tech giants, two French firms are also believed to be in the running, according to reports.

The news comes exactly two years after the Finnish telecom giant acquired French tech startup Withings and renamed it Nokia Health.

While the company had paid 170 million Euros for Withings back then, the new buyer is expected to pay much less than that, according to Le Monde.

The publication also says that the French government is pressuring Nokia to sell the unit to a French buyer to help boost the country's efforts in AI-related sectors. In the wake of the Cambridge Analytica scandal, the country's regulators are also apparently concerned about a French firm being sold off to an American tech giant whose entire business is based on targeted advertising.

While Samsung already has a thriving wearables business, the Nokia Health acquisition is expected to help Google expand its health division, which is still dealing in home automation products but doesn't have any wearables. That being the case, it won't be a surprise if the search giant goes all-in this time around, although, how it circumvents possible regulatory hurdles remains to be seen.

It isn't immediately clear, however, if Nokia is looking to sell off the entire company, or if it wants to save some parts for itself. The French unit of the Finnish firm refused to comment to Le Monde on the subject, while Google did not respond to Wareable's request for a comment.

Huawei's Honor MagicBook is a MacBook Pro-like laptop on the cheap

HUAWEI HAS BEEN hot on making waves in the mobile computing world, especially with its Huawei MateBook X Pro. Now, the Chinese phone giant has revealed a new budget laptop for its home audience: the Honor MagicBook.

This 15-inch laptop may lack the MateBook X Pro's barely-there bezels, but has a normally-placed webcam as a result. Not to mention that the device comes packing your choice of Intel Core i5-8250U and Core i7-8550U processor options, 8GB of memory, a 256GB solid-state drive (SSD) and Nvidia GeForce MX150 graphics.

Huawei is reportedly charging 4,999 yuan in China for the entry-level version with an Intel Core i5 inside, so that's around $799, £569 or AU$1,039 should Huawei decide to launch the laptop in those regions. The model holding an Intel Core i7 inside asks for 5,699 yuan, or about $899, £649 or AU$1,179.

It seems as if Huawei is looking to anticipate that rumored cheaper MacBook with this laptop, offering up a streamlined experience with just enough power to seem impressive.

In fact, this laptop will be more powerful than an entry-level MacBook Pro at 13 inches while costing hundreds less. That says quite a lot about the current state of MacBook Pro, which companies like Huawei are clearly capitalizing upon.

Throw a claimed battery life of 12 hours on top of it all, and the MagicBook begins to look like a mighty strong MacBook Pro competitor – at least the 13-inch models.

Huawei hasn't said yet whether the MagicBook will make it to the US, or anywhere outside of China for that matter. Of course, we can always dream, as we're already quite smitten with the MateBook X Pro.

Facebook's damage control drive meets with charges of evasion in Germany

FACEBOOK'S ATTEMPT TO LIMIT fallout from a massive data breach hit trouble in Germany on Friday as a privacy watchdog opened a case against the social network and politicians accused its bosses of evasion.

The social network has been at the center of controversy over suspected Russian manipulation of the 2016 U.S. presidential election via its platform, and the leak of personal data of 87 million users to a political consultancy that advised Donald Trump's team.

A German data privacy regulator said it was opening a non-compliance procedure against Facebook in relation to the data leak to the consultancy, Cambridge Analytica, that was exposed a month ago.

The city-state of Hamburg's Data Protection Commissioner, Johannes Caspar, notified Facebook in writing that he had opened a probe into suspected data abuse. The case could lead to a fine of up to 300,000 euros ($370,000).

"First we will seek a statement from Facebook and then hearings will begin," said Martin Schem, Caspar's spokesman.

Such a fine, if imposed, would only be a pinprick for Facebook, which recorded revenues of more than $40 billion last year.

But the case marks a warning shot ahead of the introduction of tougher privacy rules across the European Union on May 25 that foresee penalties of up to four percent of worldwide revenues for serious violations.

"We remain strongly committed to protecting people's information," a Facebook spokeswoman said in response to news of the probe.

"We appreciate any opportunity to answer questions by data protection authorities."

Facing a hostile audience, a Facebook executive earlier met German lawmakers and repeated apologies by CEO Mark Zuckerberg over the Cambridge Analytica leak.

"What happened with Cambridge Analytica represents a huge violation of trust, and we are deeply sorry," Joel Kaplan, vice president for global public policy, said according to the text of his prepared remarks.

> We remain strongly committed to protecting people's information

Kaplan said Facebook would roll out a new 'view ads' feature, designed to make political advertising more transparent, in time for a regional election being held in the German state of Bavaria in October.

Social media experts say Germany's parliamentary election last September was less affected by the spread of 'fake news' than the U.S. vote, where Trump pulled off a stunning come-from-behind victory.

Yet the far-right Alternative for Germany (AfD) was able to capitalize on a wave of discontent with an active campaign on social media, winning seats in parliament for the first time as Chancellor Angela Merkel's Christian Democrats polled poorly.

The Bavarian party closely allied to Merkel's conservatives is seeking re-election in October.

Its leading figure in the federal government, Interior Minister Horst Seehofer, is taking a hard line on immigration in a bid to squeeze the AfD vote.

Lawmakers came away dissatisfied from the closed-door hearing, saying Facebook executives had failed to give clarity on how widespread the illicit harvesting of data using Facebook apps had been.

"We just experienced another slice of Facebook's salami tactics," said Thomas Jarzombek, the Christian Democrats' digital policy spokesman.

Tabea Roessner of the opposition Greens said the hearing had shown Facebook was still in 'business as usual' mode.

"That disrespects those affected," she told the Handelsblatt daily.

Artificial intelligence to wipe out half banking jobs in a decade, experts say

business a.m.

ADVANCES IN ARTIFICIAL intelligence and automation could replace as many as half the financial services workers over the next decade, industry experts say, but it's going to take a big investment to make that happen.

James D'Arezzo, CEO of Glendale-based Condusiv Technologies, says that's where things are headed. And the process will be complicated.

"Unless banks deal with the performance issues that AI will cause for ultra-large databases, they will not be able to take the money gained by eliminating positions and spend it on the new services and products they will need in order to stay competitive," he said.

Intensive hardware upgrades are often cited as an answer to the problem, but D'Arezzo said that's prohibitively expensive. He cited a recent announcement from the Tokyo Institute of Technology Global Scientific and Computing Center as an example.

The center is developing a supercomputer to meet the demands of artificial intelligence and big data applications. But existing supercomputers tend to cost anywhere from $50 million to several hundred million dollars, he said, which negates the cost-reduction advantages of AI technology.

But technical issues aside, senior banking executives increasingly agree on the inevitability of artificial intelligence-based services — and the job losses they will create.

"In our bank we have people doing work like robots," he said. "Tomorrow we will have robots behaving like people. It doesn't matter if we as a bank will participate in these changes or not, it is going to happen."

Get tech news in your inbox weekday mornings. Sign up for the free Good Morning Silicon Valley newsletter.

Increased processing power, cloud storage and other developments are making many tasks possible that once were considered too complex for automation, according to Cryan.

D'Arezzo, whose company works to improve existing software performance, said the financial industry is being swamped by "a tsunami of data," including new compliance requirements for customer privacy and constantly changing bank regulations.

"It's an explosion of data, and then you have AI on the other side which increases that information load," he said. "This puts a major stress on the ability of the financial industry to process all of that data. That industry is spending more on IT than any other industry, including healthcare and manufacturing."

D'Arezzo said many jobs will inevitably disappear.

"On the service side of AI, you can get right down to the irate customer who wants to know about a deposit, although you'll still have to get a person involved to handle that if it gets more complex," he said. "But we'll shave off that top percentage — 10 to 20 percent of the mechanical and rote issues that come up."

Services AI could replace

Potential uses for AI technology include automated customer support, fraud detection, claims management, insurance management, automated virtual financial assistants, predictive analysis in financial services and wealth management services offered to lower-net-worth customers.

"It's like anything else — the prediction statement could be a little overblown," D'Arezzo said. "Back when we were kids we thought we'd all be driving flying cars by now. The pace of adoption in the financial sector will happen fairly soon, but it will be a full decade before we see some significant change."

Mobile voice usage steady in Africa as instant messaging yet to impact

business a.m.

MOBILE VOICE TELEPHONY usage in Africa has remained stable and the situation is likely to persist at least until the end of this year – despite increasing adoption of Over the Top (OTT) applications such as instant messaging and social media platforms, according to data and analytics research company GlobalData.

Telecom executives across Africa initially grappled with these applications, which many said were eating into their traditional revenue streams of voice.

However, operators from Zimbabwe, South Africa, Nigeria, Tanzania and Kenya, among others, have embraced these platforms, coming up with access bundles for social media platforms.

GlobalData says the impact of social media and instant messaging applications on mobile voice telephony has not been fully pronounced.

"The average monthly mobile voice usage per subscriber in Middle East and Africa will remain stable until 2018, despite the growing adoption of over the top applications such as Skype, WhatsApp and Facebook Messenger," claim analysts at the research company.

Telcos across Africa had started to look up to data and mobile money to cover for the expected decline in voice telephony on anticipation of pressure from over the top applications.

This strategy had appeared to be working for operators such as Econet Wireless and Safaricom in Zimbabwe and Kenya respectively as income from the two categories grew.

"Despite the growing number of mobile data subscribers, the average monthly mobile minutes of use per subscriber has grown in a number of markets in the Middle East and Africa," added GlobalData.

It explained that mobile operators in Tunisia "have been offering generous mobile voice bonuses for prepaid customers" with Ooredoo and Tunisie Telecom offering 100% bonus on top ups.

NetOne and Telecel in Zimbabwe also offer bonus credit on top ups.

However, analysts believe the impact of OTT on mobile voice telephony has not been fully pronounced.

Dow tumbles over 200 points as Apple drags tech lower

business a.m.

AMERICAN STOCKS dropped Friday as a decline in Apple pushed the technology sector lower. A rise in interest rates also kept a lid on equities.

The Dow Jones industrial average fell 201.95 points, or 0.8 percent, to 24,462.94 as Apple dropped 4.1 percent. The Nasdaq composite declined 1.3 percent to close at 7,146.13.

The S&P 500 pulled back 0.8 percent to 2,670.14, with tech sliding 1.5 percent. The index also broke below its 50-day moving average, a key technical indicator.

"The market is still very susceptible to technicals at this point," said Jeff Kilburg, CEO of KKM Financial. Breaking below the 50-day moving average caused a "technical washout in the market," he said. The Nasdaq and Dow also closed below their 50-day moving averages.

Apple shares fell 4.1 percent after Morgan Stanley said the company's iPhone sales for the June quarter will disappoint Wall Street. The stock had already fallen more than 1 percent for the week heading into Friday's session.

Traders work on the floor of the New York Stock Exchange (NYSE) in New York, U.S., on Tuesday, Jan. 2, 2018.

Michael Nagle | Bloomberg | Getty Images

Traders work on the floor of the New York Stock Exchange (NYSE) in New York, U.S., on Tuesday, Jan. 2, 2018.

The decline in Apple offset a 4 percent gain in General Electric. The industrial giant reported quarterly earnings and revenue that beat analyst expectations and reaffirmed its outlook for the rest of 2018. Honeywell also posted stronger-than-expected earnings on Friday. Its stock rose 1.6 percent.

About 16 percent of the S&P 500 has released its quarterly results through Friday, with 81.5 percent of those companies posting better-than-expected earnings, according to FactSet. Next week will be the busiest week of the season, with more than a third of the S&P 500 set to report. Some of the companies scheduled to release their results include tech giants Alphabet, Intel and Microsoft.

> Apple shares fell 4.1 percent after Morgan Stanley said the company's iPhone sales for the June quarter will disappoint Wall Street

"It remains to be seen whether there is enough enthusiasm generated by earnings to break the market higher," said Michael Shaoul, chairman and CEO of Marketfield Asset Management. "We have not seen many technology companies report earnings thus far but strong beats have received applause while IBM ... remains in its multi-year penalty box." IBM reported stronger-than-expected earnings and revenue earlier this but its stock dropped sharply on disappointing guidance.

Wall Street also kept an eye on interest rates as the 10-year Treasury yield added to strong gains for the week on Friday. The yield reached 2.96 percent — its highest level since 2014 — while the two-year yield rose to its highest level in a decade.

Bank stocks rose on the back of higher rates Friday. The SPDR S&P Regional Banking ETF (KRE) and the Bank ETF (KBE) both rose more than 0.7 percent.

In economic news, Federal Reserve Governor Lael Brainard said further escalation of trade tensions could raise worries about the global economic recovery. Brainard added, however, the U.S. economy appears capable of handling tighter monetary policy.

MTN partners Sony on music streaming in Nigeria

MUSIC STREAMING SERVICE of telecommunications operator, MTN, has entered into a partnership with Sony Music Entertainment to distribute on its platform content of the label's catalogue in the country.

The partnership, which has been dubbed the first of it's kind in Nigeria, allows subscribers on the platform to stream over three million international songs from various categories.

The agreement between Music + and Sony Music Entertainment, which together with Universal Music Group and Warner Music Group, gives a tier to the streaming service that enhances its offer with titles of international stars.

Speaking in the agreement, Richard Iweanoge, director of communications and business development at MTN Nigeria says; "After deploying a value-added music platform to our subscribers, while creating an important source of revenue for artists, this partnership provides us with new opportunities."

"Sony Music Entertainment is very excited about this strategic partnership with Music +. It was very important for us to conclude an agreement with a partner sharing our passion for the growth of the music market through an innovative digital service. With its exciting music streaming platform and broad subscriber base, Music + is a showcase for the incredible market potential for both local Nigerian artists and international artists, "said Michael Ugwu, director of Sony Music Entertainment for West Africa.

The market for African music streaming promises to be increasingly competitive, with this agreement following a few months, that between the Warner Music group and the Kenyan service Mdundo, and a few weeks the arrival of Spotify in sub-Saharan Africa.

China-funded projects trigger Kenya growth, official says

business a.m.

CHINA-FUNDED INFRASTRUCTURE projects in Kenya helped the economy grow by an average of 5.5 percent in the last five years since 2013 compared to 4.5 percent average growth in the previous five-year period, a senior Kenyan official said on Friday.

Kamau Thugge, the principal secretary of the ministry of national treasury and planning, said the elevation of Kenya last year by China as its strategic partner in the implementation of the Big Four Agenda will deepen development cooperation between the two countries.

Thugge called on Chinese companies to partner with the locals to take advantage of the support the government is offering that is focused on achieving the agenda's goals.

"Our average growth of manufacturing sector for example has to be three percent per year. So, we need to invest huge resources to ensure we meet our intended target of increasing the share of manufacturing to the economy from 9 percent to 15 percent," said Thugge, adding this demand for resources presents a good opportunity for the Chinese companies under the Big Four Agenda.

Big Four Agenda is a five-year development plan by President Uhuru Kenyatta to transform the lives of Kenyans through manufacturing, food security, universal health insurance and cheaper housing, meant to consolidate his legacy in his last term that ends in 2022.

Thugge said the economic growth realized because of the China-funded infrastructure also helped the country increase its income per capita from an average of 1,000 dollars per year in 2013 to 1,740 dollars in 2018.

"To ensure that the Big Four Agenda is not disrupted, we are committed to ensuring a stable economic growth. We have succeeded in maintaining low interest rate regime and our exchange rate has been stable over the years. This has been a deliberate action by the government," he said.

Thugge said under the food security agenda, Kenya plans to increase her annual maize output from 40 million 90 kg bags per year to 67 million bags.

It also plans to increase its annual rice production from the current 125,000 metric tonnes to 400,000 metric tonnes.

On health, he said the plan is to increase coverage of the National Hospital Insurance Fund (NHIF) from the current 30 percent to 100 percent in the next five years.

On housing, he said Kenya has already set up the Kenya Mortgage Refinancing Company to give low interest rate loans for buying houses.

The plan is to reduce the cost of an average three-bedroom house from 50,000 dollars to 1,500 dollars.

Thugge said progressively, Kenya wants to borrow less towards the year 2022 and reduce the ratio of debt to the value of the economy to 3 percent from the current 56.4 percent.

Betty Maina, the Principal Secretary of the Ministry of Industrialization and Enterprise Development, said within manufacturing, priority will be given to textiles, leather processing, agro-processing, setting up of industrial parks, and manufacturing of construction materials.

"This is because these industries have the potential to create the highest number of jobs. We have huge opportunities for China-Kenya cooperation in these areas," said Maina.

"I want to encourage Chinese investors to look beyond manufacturing for Kenya but also for the region," she added.

> To ensure that the Big Four Agenda is not disrupted, we are committed to ensuring a stable economic growth

AGOA

Closed road needs opening to Nigeria's manufacturing

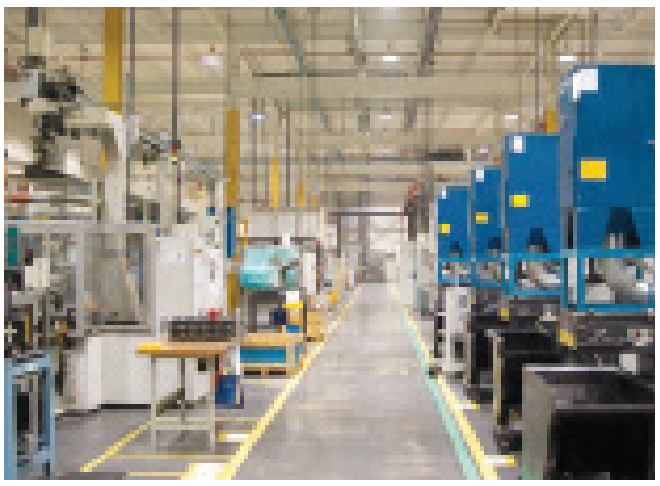
The African Growth and Opportunities Act (AGOA) is in its second 10-year tenure after being reauthorized by the United States for more African countries to benefit. Nigeria, as Africa's heavyweight, has fared poorly, a reason why manufacturers are keenly hoping President Muhammadu Buhari's impending visit to America will turn the tide in the nation's favour and grow its non-oil export. AJOSE SEHINDEMI writes

THE CORNERSTONE of U.S. economic relations with sub-Saharan Africa since 2000 has been the African Growth and Opportunities Act (AGOA), which gives more than 38 sub-Saharan African countries preferential access to U.S. markets by eliminating import tariffs. It was designed to foster economic development in African countries, through opportunities to build their capacity in global markets.

Essentially, the trade policy sought to increase market access to Nigeria and other African countries to export about 7, 000 product lines, tariff and quota-free, to the US market. However, for Nigeria, over dependence on oil in the country's mono-product economy, perceived lack of adherence to standards and product packaging methods as well as weak manufacturing base and infrastructural challenges, among others, are said to have combined to deny Africa's largest economy, the opportunity of leveraging on AGOA to become globally competitive.

Even with the second chance afforded the country when AGOA was renewed in 2015 (to end in 2025), it is worrisome to note that nothing tangible appears to be forthcoming from the Nigerian end, which makes it look as if the country's leaders and business concerns have been blindfolded from seeing the enormous opportunities it could afford the nation's economy.

According to data from the United States Economic and Regional Affairs department, Nigeria accounted for a paltry volume of $9 million out of $2.7 billion agricultural exports recorded by the continent to the United States in 2017, which affirmed that the low volume recorded in non-oil export was as a result of dependence on oil as Nigeria's oil export to the U.S rose from $3.4 billion to $6 billion. Experts say this seriously calls into question Nigeria's mouthed acclaimed diversification agenda.



Though US-Africa trade increased by 15.8 percent in 2017, from $33 billion to $38.5 billion, US exports to Africa rose four percent to $13.1 billion and African exports to the US rose by more than 20 percent to over $24 billion, Nigeria's contribution to the increase was minimal, a challenge faced by countries that solely rely on oil as a major export product.

Challenges being faced

Some of the challenges being faced by exporters have to do majorly with the quality of their products, which apparently is lacking due to different product specific standards between Nigeria and the U.S.

Other challenges are lack of sanitary and phytol-sanitary requirements, poor standards arising from poor packaging, which makes it difficult for manufacturers, especially the Small and Medium Enterprises (SMEs) to penetrate the US markets, supply-side constraints such as inability to meet up with large volume of orders from the US as many of the exporters playing in the AGOA field are mostly small companies; and weak competitiveness as a result of weak infrastructure facilities plus lack of finance.

Aliyu Abubakar, deputy director, Trade Department, Federal Ministry of Industry, Trade and Investment said the challenges have always been there and even now, more still needs to be done if Nigeria is to tap from the AGOA benefits. This was why Nigeria, in collaboration with the United Nations Commission for Africa (UNECA) had developed the national AGOA response strategy, which had been validated by stakeholders.

It is generally known that locally manufactured products and services in Nigeria, lack global quality certification, which is why they are denied access to markets in developed economies. The consequence of this is that productivity and competitiveness of indigenous manufacturers suffer. A ready example is the rejection of yam export, from the country by the US, as they are said to be of low quality,

There are also concerns about Nigeria's continued dependence on low-value-added products and natural resources as it exports few of the higher-value manufactured products that the policy hoped to encourage.

Abubakar said in order for a country to benefit, it must fulfil basic requirements such as a market based economy that protects property right and adherence to rule of law, including political pluralism. Others, he said, include the elimination of barriers to US trade and investment, and elimination of economic policies aimed at reducing poverty, as well as, encouraging private enterprise.

What Can President Buhari do?

Trade diplomacy centred talks between US and Nigeria will go a long way to mitigate some of the issues if Nigerian companies are able to work around some of the challenges affecting their participation in the AGOA policy.

It is apparent that Nigeria has not been able to get the attention of Donald Trump, US president in more matters of trade. But the impending visit of President Buhari to the White House, should provide more than ample time for the two leaders to discuss more trade matters than before. With Buhari expected to display wits, as was done by Shinzo Abe, Japan's Prime Minister, during the recent visit of Trump to Japan (Trump agreeing on some concessions during the visit), manufacturers are hoping that he would turn on the charm to get his own concessions for Nigeria and its manufactures.

Buhari has to work to get some of the produce from the country's industrial firms that are yet to be accepted under the AGOA accord, accepted. Abubakar said the non acceptance had brought setback to the economy, as Nigerian manufactured goods find it difficult to get into the US market.

For John Isemede, a former director-general, Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA), who said although he is not condemning AGOA, there is need for Nigeria to assess how she started and where she is today to see whether to go ahead with the old system or to do some adjustments as the policy has not contributed in any way to the development of Nigeria's economy, neither has it raised the business potential of any Nigerian entrepreneur.

In an interview with business a.m. Isemede lamented a situation whereby America dictates the price of what they buy from the exporting countries under AGOA: "If you are taking produce from Nigeria and we can't meet your standard, you had better come and invest in Nigeria or bring your own experts to come and teach us the standard. You asked for some certain products and you have every right to determine the quality and quantity, but you don't have every right to determine the price for what you don't produce. What is the essence of determining quality when you have not even worked with our people?" He asked.

It also appears that there is a systemic lack of confidence in Nigeria by the US as Ghana has more impact and trade going on under the AGOA when compared with Nigeria. This may be due to a cutting edge earned by having the ears of the US. This clearly shows that both countries are viewed differently by the United States. This position, say analysts, makes it even more necessary for Nigeria to work on her trade diplomacy with the US, as there is a need to work on changing the negative perception that seems to overshadow the country, if she must benefit from the extension of AGOA this time.

Back home, the point is also made by international trade relations experts that the president really has his work cut out on this visit to Donald Trump. They say the president has to provide a system to combat corruption and bribery, protection of internationally recognised workers' right and non-engagement in gross violation of international terrorism and activities that undermine US national security or foreign policy interest.

The importance of infrastructure, particularly power supply to manufacturers cannot be over emphasized, as it is something that has continued to dog the country, helping to push up cost of production. This has also been partly responsible for the lack of competitiveness among the country's manufacturers, especially Nigeria's numerous SMEs.

The U.S., however, has encouraged Nigeria to liberalize to attract greater foreign investment stating that there are many restrictions to doing business in Nigeria thwarting foreign and domestic investment.

Meanwhile, U.S. trade with AGOA's participants has dropped since its 2008 peak almost to its pre-AGOA total, while African trade relationships with other countries, particularly China, have expanded.

> Though US-Africa trade increased by 15.8 percent in 2017

Tata Motors Nigeria plant unveils 200 vehicles assembled locally

Ajose Sehindemi

THE NIGERIAN ASSEMBLY line of India's car manufacturer, Tata Motors, has rolled out 200 vehicles assembled in the country. But as it unveiled the new vehicles, the company seized the opportunity to call on Nigeria's central government to stop the importation of used vehicles into the country as a way of encouraging and sustaining the business of local vehicle assembly.

Suraj Prakash, the auto head, TATA Motors Ltd., said at the unveiling ceremony in Lagos, that the company would continue to ensure adherence to the local content policy to ensure it produces cost effective cars in Nigeria.

"Tata Motors has a strong presence in Nigeria with investment of over $10 million. We started assembly in 2016 in Nigeria which was well received by Nigerians as our vehicles are not expensive because most of the materials are sourced locally, so the cars are cost effective," he said, adding that, "Our vehicles are well assembled and cost effective and are better. Our vehicles are durable, up to standard and made for the Nigerian terrain and we will like to have more of government's support on automobile policy because importation of 'Tokunbo' vehicles [used cars] is of great disadvantage."

Waheed Adetoro, director , industrial infrastructure, National Automotive Design and Development Council (NADDC), said government would continue to give adequate support to local car manufacturers in the country through patronages as directed by the Bureau of Public Procurement.

"Government will continue to give support and protect locally manufactured cars in Nigeria. In the past, what we had was policy somersault, but now government has put up a bill passed by National Assembly. The bill, the Automotive Development Plan Policy, has been passed by the National Assembly [and] waiting for the president's assent. Once it is signed, the core operators in Nigeria will be protected as the country is appreciative of those who have faith in Nigeria because manufacturing is key to the economy of Nigeria and we need to transform the sector from import dependent to full scale manufacturing with realisation of technology transfer to indigenous experts in the industry," Adetoro assured.

CBN's I&E window

A stitch in time that eased industry's N500bn

The present relative ease in accessing foreign exchange by manufacturers appears to have put into distant memory, the forex crisis that almost crippled the nation's manufacturing sector and threw it into recession. Industrialists complained about a N500 billion loan caused by the modified flexible exchange rate difference, but with the recent revelation that they are repaying the loan, things couldn't have turned out better. How were they able to do it? AJOSE SEHINDEMI examines the Investors' and Exporters' window's contribution to it.

IT NOW SEEMS like it never happened; or that it happened ages ago. But it was just in the business season of 2016/2017 that manufacturers were off their heads, confused about how to solve a major problem that threatened their continuing to be in business. Investments running into several billions across several industries were at stake because manufactures did not have access to imported raw materials; and that was because they did not have access to foreign exchange, which had become very scarce and the naira = dollar exchange rate had shot for the roof, hitting it, at one point, at N520 to $1. It was indeed a climate of serious concern as the fragile Nigerian manufacturing sector, which had long been left crippled, faced imminent total collapse, buffeted too by high interest rate, which put serious pressure on many manufacturers' operational cash flow positions.

It was a tale of woes, especially for those without deep pockets as their little savings were used up to try to mitigate the situation, while others, such as Erisco Foods, took a duck at the height of the crisis.

With the hues and cries that enveloped the period, the Central Bank of Nigeria (CBN), the country's apex bank and manager of the domestic currency, the naira, which had stood its grounds against calls and suggestions from local and international individuals and organisations that market forces should be allowed to determine the exchange rate of the naira, decided to save the situation by introducing a flexible exchange rate policy on June 20, 2016.

That singular action of intervention led to something else in the manufacturing sector – a debt pile up of over N500 billion incurred by manufacturers as a result of differentials in the Letters of Credit and Form Ms, already approved to manufacturers at N197/US$ before the introduction of the then new flexible exchange rate, where manufacturers were expected to be redeemed at N320 to the $1. The exchange rate losses required additional working capital to shore up cash difference between N320 and N197, which unfortunately could not be met by most of them.

> A year after, it seems to have been the long sought for solution, and the CBN had nailed it as relative stability enveloped the forex market

In the midst of it all, the CBN was introducing different forex liberation regimes into the financial polity, amongst which was the establishment of a forex window for Investors' & Exporters' (I&E) at which pricing for the dollar would be determined by market forces, against previously held stance by the government banker.

The I&E window, or appropriately - the Nigerian Autonomous Foreign Exchange Rate Fixing (NAFEX) mechanism - was established in April 2017 "to boost liquidity in the FX market and ensure timely execution and settlement for eligible transactions as stipulated by the CBN. The operating modality is on a willing buyer, willing seller basis and the exchange rates of the transactions are as agreed between Authourised Dealers and their counterparties, which engender transparency and liquidity.

A year after, it seems to have been the long sought for solution, and the CBN had nailed it as relative stability enveloped the forex market.

Aside helping to ensure exchange rate stability by attracting significant dollar inflow into the country, the I&E forex window has positively impacted on the nation's economic growth as manufacturers can now access the international market for raw materials, which are not on the prohibited lists and are determined to be crucial as local sourcing is the way forward to avoid a reoccurrence of the challenges, according to CBN.

Analysts at FSDH Merchant Bank in a report, sum up the benefits of the window as they said the implementation of the I & E has increased the supply of foreign exchange into the Nigerian economy and in addition, it has attracted more investments into Nigeria as consequently, they observed relative stability in the foreign exchange market as companies and individuals are now able to access more foreign exchange in the market than before to carry out eligible transactions and economic activities are gradually picking up.

"The introduction of the window has encouraged exporters to bring back their export proceeds to the country and through the official sources, thus increasing the stock of foreign exchange in the country. Another important gain of the window is that it has attracted more foreign capital into Nigeria for various forms of investment," the analysts added.

The recent disclosure by some members of the organised private sector (OPS) that the introduction of the window and other forex windows have led to the repayment of financial commitment valued at N500 billion to foreign trade partners, revealed the confidence now reposed in the system.

Kola Jamodu, chairman, Nigerian Breweries Plc, and an industrialist, said the apex bank's intervention brought about considerable improvement in accessing foreign exchange by manufacturers for the importation of raw materials and led to improvement in liquidity, which enhanced the capability to import raw materials, boosted capacity utilisation and helped in the payment of financial commitments to foreign trade partners.

Jamodu said there has been relative stability in the exchange rates and availability of forex since the apex bank created the new forex window for investors and exporters and that this has also eased manufacturers' plight. Particularly, the industrialist noted that the window also led to the improvement in liquidity, which enhanced the capability to import raw materials for production.

According to industry watchers, the increase in foreign capital importation due to implementation of the I&E forex window was responsible for the Bull Run that Nigerians experienced in the stock market last year.

While the praises appear to just be starting, some analysts are of the belief that the stability might not last as it's being held with proceeds from oil sales hence, they said, limited forex and uncertainties caused by the exchange rate means consumers are having to bear the inevitable price surges.

Isaac Okorafor, acting director of CBN' corporate communications department, is bullish about the apex bank's ability to sustain the stability in the market.

As the bank's ability to intervene in the market to maintain stability has been helped by Nigeria's rising foreign reserves levels, now close to $50 million, Okorafor states that the CBN was even more determined to sustain the gains recorded through the various policy options it took in the course of stemming the depletion of the external reserves and steering Nigeria out of recessio

Akwa-Ibom taps private sector for industrialisation

Temitayo Ayetoto

THE AKWA-IBOM STATE government has called on high-profile indigenous professionals to lend their knowledge and network resource to the ongoing industrialisation process in the state and country.

The state government with keen focus on attracting foreign direct investment, said it had modified frameworks to protect investment interest's opportunities in the various areas out for development.

Charles Udoh, the commissioner for Information and Strategy, who led an engagement with the professionals in Lagos over the weekend, said the initiative was to appraise stakeholders with the state's efforts at industrialization and endear them to make their contributions.

He said the government had shifted from running industries as public entities to operating as private entities in which it only holds equity participation.

Udoh said: "The current administration has facilitated four industries. These industries are not run as government entities, they are built and benchmarked against international best practices, run 100 percent as private entities. The state government only has equity participation which in most cases is just the land. We realised industrialization efforts in Nigeria stalled in the past because most establishments were built and run as extended parastatals of the government. In developed countries, industries are run as private entities, investors invest and government only provides the enabling environment".

According to the commissioner, the administration is on the brink of kick-starting a $3 billion deep sea port that will serve Central and West African axis. He noted that four industries including a digital metering factory, a syringe manufacturing company, toothpick and pencil industries have been facilitated in the last three years to strengthen local capacity for production, create jobs and cut huge capital flight on importation.

He said: "The government has successful championed the cause of industrialization in the state to an extent that today, we can boast of Africa largest syringe manufacturing company. Pencils and toothpicks are consumed by every household in this country but we still import. So Akwa-Ibom is still taking the lead in producing these things locally. This was the initiative ensured that concerned professionals in Lagos are kept fully in the picture."

According to Francis Akpan, a retired admiral and member of the technical committee on the deep sea port, the $3 billion project is expected to come alive in the next three years with provision of about 200,000 jobs. The meeting he said has looked into means of building the necessary capacity and skills needed for the quantum of development envisaged.

"What we tried to do was to see how these committees can merge their strategies and move the state forward. Those who were present here were able to contribute, look at the gaps and see how at the end of the day, the state will be the beneficiary of the processes. What we did was to add value to the process and fill gaps like skill acquisition. To build a port, and have refineries and the rest, we need skills, we need to have to schools and the training system must be rigid so that we can build the required capacity," he said.

Commending the government for promoting an inclusive economy Barth Ebong, a retired general managing director, Union Bank stressed the need for the state to involve the youths in the development process, noting there was much to gain from their ideas and energy.

He said: "The areas where the youth can play is in facilitating more investment, providing initiatives, in areas that are crucial. If you don't get people of this caliber involved success might be doubt because the people here are already exposed to government in Lagos and so they know what is feasible and what is not."

Plant Police

IPPC to help cut $220bn loss

Stories by: Temitayo Ayetoto

THE INTERNATIONAL PLANT Protection Convention (IPPC), a body saddled with the protection of global trade in plants and plant products, has introduced new standards to eliminate the spread of destructive agricultural and environmental pests, which is estimated to costs global agric-production an annual deficit of $220 billion, a Food and Agriculture Organisation (FAO) report has said.

The new phytosanitary measures designed to tackle devastating impacts on biodiversity, food security and trade, include use of various temperature treatments against pests, cold treatment techniques that freeze and kill pests as well as those that raise temperatures past their survival threshold, revised standard for sanitation of wood packing materials and an expanded standard on the use of heat vapour to kill Oriental Fruit Flies among others.

"The norm covers cold treatment techniques that freeze and kill pests as well as those that raise temperatures past their survival threshold. This can be achieved by submerging them in extremely hot water or exposing them to superheated steam (for commodities vulnerable to drying out, such as fruits, vegetables or flower bulbs) or dry heat (ideal for low moisture-content items such as seeds or grain). An existing standard, known as ISPM-15, was updated to include the use of sulphuryl fluoride, a gas insecticide and new-generation heating technologies that employ microwave and radio frequency waves to generate pest-killing temperatures deep inside wood products," the report said.

Oriental fruit flies, it noted, remained a highly destructive fruit-attacking Bactrocera dorsalis which originated from Asia has spread to about 65 countries including Africa, where it has cost the continent an estimated $2 billion in annual losses due to fruit export bans. The control technique outlined under the new measure kills 99.98 percent of the bug's eggs and larvae when used correctly.

> About $1.1 trillion worth of agricultural products are traded internationally each year, with food accounting for over 80 percent of that total, according to FAO data

Maria Semedo, FAO deputy director-general, speaking at the opening of this year's IPPC annual meeting in rome said: "this is challenging work with high stakes: each year an estimated 10-16 percent of our global harvest is lost to plant pests. A loss estimated at $220 billion."

About $1.1 trillion worth of agricultural products are traded internationally each year, with food accounting for over 80 percent of that total, according to FAO data.

The IPPC commission also approved revisions that streamline existing standards targeting fruit flies to make it easier for countries to comply with them and improve their effectiveness. It endorsed new diagnostic protocols for sudden oak death, a fungi-like organism of unknown origin that attacks a wide range of trees and shrubs in nurseries, introduced into western North America and Western Europe through the ornamental plants trade.

The dangerous hitchhikers carried by global trade, plant pests and diseases, once introduced into new environments can quickly take root and spread, impacting food production and causing billions in economic damages and control cost.

One recent study in East Africa, for instance, found that just five invasive alien species could be causing as much as $1.1 billion in economic losses annually to smallholder farmers in the region.

Not only can fruits, crops and seeds become infected, but the containers and boxes they travel in, as well. Packaging for overseas shipments is commonly constructed from wood, which is relatively inexpensive and easily manufactured but also easily infested with a variety of bark and wood pests, and so act as a vector. Timber and wood-made products like furniture can harbour stowaways, also.

This means that not only are food crops at risk, but forests and trees as well. Recent studies shared during this week's meeting have shown that the loss of tree cover due to invasive pests may result in an increase in stress related-diseases and possibly elevated human mortality rates.

The Republic of Korea, for instance, was recently forced to cut down some 3.5 million trees as a result of the pinewood nematode, and over the past three decades has spent nearly half a billion dollars on control programmes to fight the deadly pest. Additional sums have been spent in Canada and the United States in attempts to stop, the far unstoppable. Emerald Ash Borer.

Dutch Rabobank calls bearish on cocoa, nudges $0.10 higher for soy

DUTCH MULTINATIONAL banking and financial services company, Rabobank, has said it was slightly bearish on cocoa futures, even as it hiked its forecasts for New York cocoa bean prices by up to $200 a tonne on a quarter average basis, leaving coffee as its most bullish bet among agricultural commodities. The bank said the boost came from sentiment reduced expectations for output from Cote d'Ivoire, the top producing country.

For soybeans, the forecast for fourth-quarter prices was nudged $0.10 higher to $10.10 a bushel, but remained below the $10.36 being priced into the November contract. For now, "a heavy US soybean balance sheet benefited from recent higher export and crushing demand," the bank said.

It questioned, however, the extent of the cocoa rally, up 47 percent in New York this year on a spot contract basis, saying that investors had moved beyond expecting a dent to Cote d'Ivoire output next season from a drop in the guaranteed price to farmers and were factoring in risk from El Nino.

> The bear in the room is actually quite big

The bank added that for the current 2017-18 season: "we do not necessarily think there is" a production deficit in train.

Arrivals of beans from growers to Cote d'Ivoire ports continue to be strong and grinding margins are likely to be affected by the rise in cocoa beans [price], slowing down the pace of grindings" in the April-to-June and July-to-September quarters.

"For these reasons we the market is overbought at these levels, and we are feeling a little bit bearish," said the bank, whose upgraded price forecasts remained behind the futures curve.

For the October-to-December quarter, for instance, the forecast for prices averaging $2,650 a tonne was below the $2,796 a tonne that December futures were trading.

The forecasts were made before mixed cocoa grind data overnight for the January-to-March period, showing a 1.1 percent drop in North American volumes to the weakest for the quarter in seven years, but a 7.2 percent rise in Asian volumes to the highest for the period since records began in 2011.

The bank was also somewhat downbeat on prospects for New York sugar futures, for which it cut its price forecasts by up to 1.6 cents a pound, leaving the expectations closer to the futures curve.

"The bear in the room is actually quite big," Rabobank said, flagging the ineffectiveness of weak prices, which this week hit their lowest since late 2015 in New York, in deterring production.

As an extra headwind, a sharp drop in ethanol prices in Brazil has cut the so-called ethanol parity, the point at which mills make equal returns from processing cane into either biofuel or sweetener, had fallen to about 14 cents a pound in sugar terms, down from 16.4 cents a pound at the end of March.

One potential support to values may come from China, where the effectiveness of crackdowns on legal and illegal imports has left prices 2.5 times higher than international levels, signalling the potential for improved appetite for buy-ins ahead.

However, in sticking by expectations for arabica coffee prices of 133 cents a pound for the October-to-December quarter, the bank revealed a somewhat bullish outlook, with New York's December contract trading on Friday at 122.10 cents a pound.

A forecast for London robusta futures at $1,760 a tonne in the last three months of the year was also, a little, above the levels investors are expecting, with the November lot at $1,742 a tonne.

While foreseeing pressure for now from the Brazilian harvest, and soaring Vietnamese robusta exports, the bank flagged the potential for "production losses related to low prices" in producing countries of mild arabica beans.

Gold's suffer decline as prices dip

GOLD FUTURES suffered a second consecutive session of losses on Friday, as strength in the dollar and gains in Treasury yields sent prices for the metal lower for the week.

June gold lost $10.50 to settle at $1,338.30 an ounce. Despite the commodity has been mostly traded in a narrow range, the contract was down about 1.6 percent since hitting a two and a half month high of $1,360 as recently as April 11.

For the week, gold futures fell by roughly 0.7 percent, the first such loss in three weeks.

Silver also retreated after starting to play catch-up to gold for much of this week. May silver shed 0.4 percent to $17.163 an ounce, pulling back from its own two and a half months high, hit in the previous session. The contract saw a three percent gain for the week.

The SPDR Gold Shares GLD, exchange-traded fund slipped 0.7 percent, poised for a weekly loss of 0.6 percent. The iShares Silver Trust fell 0.6 percent, but aimed for a weekly rise of 3.1 percent, while the VanEck Vectors Gold Miners GDX, lost 1.4 percent, trading 0.6 percent lower on the week.

Lukman Otunuga, research analyst at FXTM said: "Gold prices declined as easing geopolitical tensions and expectations of higher U.S interest rates "dented appetite for the yellow metal."

"While bulls remain inspired by geopolitics, lingering trade war fears and U.S. political risk, bears have found support in the form of rising U.S. rate hike expectations."

Otunuga expects gold to "remain a battleground for bulls and bears until a fresh directional catalyst is brought into the picture."

The dollar gained again Friday, having flipped its week-to-date performance into slightly positive territory. This helped to dull demand for dollar-denominated precious metals.

Gold tends to move inversely to the 10-year Treasury note yield which shot up 3.5 basis points to 2.948 percent on Friday. Higher yields can dull the appeal of non-yielding bullion. Noteworthy, however, accelerating inflation can eventually lure investors into the shelter of fiat gold, meaning bond market moves tend to have mixed implications for the metal.

Concerns over U.S.-Russian relations, coming talks on the Korean Peninsula, action in Syria over a suspected chemicals-weapons attack and jitters over still-simmering trade conflicts have formed a cocktail of geopolitical worry that has underpinned buying in gold, which tends to prosper in such uncertainty.

Repositioning Nigeria's cocoa export for global competitiveness

Joe ITAH

THAT THE WORLD economy is driven by knowledge and technology with some developed countries of the world running trillion dollar economies lends credence to the fact that Nigeria more than ever before needs to diversify its economy from dependent on oil to non-oil.

This is more so, when one juxtaposes our economy with that of countries like India, Malaysia, Singapore and lately United Arab Emirates (UAE) just to mention a few, that have repositioned their economies using the non-oil platform complemented with cutting-edge technology to become economic giants competing in global business and trade.

It is therefore cheery to note that given the fragile nature of the economy, no thanks to dwindling oil revenues, among other infrastructural constraints, the present administration have put in place measures that would help stimulate massive diversification of the economy through agriculture and solid minerals development.

As the Nigerian Export Promotion Council (NEPC), an agency of the Federal Government saddled with the development and promotion of non-oil exports, continues to drive the diversification process, effort to reposition the country's Cocoa export with a view to increasing production and meeting the requisite internationally accepted standards for export into European Union and the US is gradually yielding results.

Only recently, the commodity which is also one of the 13 National Strategic Export Products (NSEP) of the Federal Government of Nigeria and very prominent in the NEPC's Zero Oil Plan initiative has now been integrated into Government's Economic Recovery and Growth Plan (ERGP), 2017-2020.

Presently, cocoa is the leading major agricultural export of Nigeria. However, the country is losing its global ranking, due to poor production practices and non-compliance to Importing Countries' Requirements among others. As at 2015, while Cote D'Ivore and Ghana boast of production level of about 1.7 million metric tons and 800,000 metric tons, respectively, Nigeria's production still hovers around 220,000 to 250,000 metric tons, yearly.

It is estimated that by year 2019, the global cocoa market will be worth $2.1 billion and Chocolate market $131.7 billion. The question then is how do we reposition the Nigerian cocoa industry to reap the huge benefits in the global market?

With his untiring resolve to grow the sector, the Executive Director/CEO of NEPC, Olusegun Awolowo, initiated the Zero Oil Plan (ZOP) thereby providing a platform for the Council to address the slide of Nigeria in the global cocoa trade among other exportable products. This led to its collaboration with the Centre for Promotion of Imports from Developing Countries to Europe (CBI) in Netherlands to train some cocoa exporters and provide direct access to the EU market.

S/N	BUYER'S REQUIREMENT	COMPONENTS
1.	Legal and Non-Legal	• Food safety and hygiene • Food contaminants • Consumer labelling
2.	Additional Requirements	• Food safety certification: processors (HACCP) and producers (Global GAP) • Corporate Social Responsibility • Sustainability certification
3.	Niche Market Requirements	• Fairtrade • Rainforest • UTZ

Furthermore, to gain access to the premium USA cocoa market, the Council sponsored a team of MBA students of University of California at Los Angeles (UCLA) USA, to understudy the demand and supply situation of Nigeria Cocoa in the US market. The outcome of this collaboration and research is the need for Nigeria to increase its cocoa production as well as improve its quality to conform to global market requirements. Furthermore, there is the need to address the issue of low quality and poor packaging in order to have access to cocoa import markets.

In a bid to address some of these identified constraints in Cocoa Value Chain, the Council organized a Capacity Building Program for farmers, merchants and exporters as part of collaborative effort with the Cocoa Association of Nigeria (CAN), to acquaint them with current quality trends and issues that, conforms to buyers' requirement in the European and USA cocoa markets.

Besides, the forum provided stakeholders with a global outlook for Nigerian cocoa with specific focus on the international market requirements and appropriate pricing templates.

The objective of the capacity building programme which was held in Ikom, Cross Rivers State and Umuahia in Abia State, respectively, was among others to:

- Avail the practitioners with the international buyer's requirement for cocoa beans and cocoa products, which are classified into three (3):

It is however disheartening to note that Cocoa which has remained Nigeria's leading non-oil export product, contributing about 36% of non-oil exports, has continued to record a decline due largely to quality issues therefore reducing Nigeria's stake and share, globally.

Activities anchored on best practices across the cocoa value chain will ensure that the Council's Zero-Oil Plan initiative in which cocoa occupies a leading position is poised to reposition the Nigerian cocoa sector globally.

Joe ITAH
Head, Corporate Communications
NEPC, Headquarters Abuja

Price recovery

Take advantage, Ecobank chief urges West

Temitayo Ayetoto

DAN SACKEY, THE regional executive for Anglophone West Africa and managing director of Ecobank Ghana has asked West African countries to leverage on the recovery of commodity prices in the global market by tackling the factors of production preventing increased output.

The recovery in commodity prices, notably oil and cocoa, has boosted economic growth especially in Nigeria and Ghana, lifting the entire region, Dan said, while commenting on Ecobank's flagship Africa Fixed Income, Currency and Commodities (FICC) on-line resource.

In the report, the pan African bank pushed for Nigeria to consolidate on the gains of recovery from economic recession, the endemic disease of Ebola, falling oil and other commodity prices it has recently grappled with.

"It is essential that West Africa uses this opportunity to press ahead with the diversification of the economy away from dependence on oil and minerals, with a focus on increasing output and processing of soft commodities, improving logistics and using the region's financial and stock market leadership. Provided West Africa's governments can maintain fiscal discipline, the growth outlook is very positive," Dan said.

Edward George, the bank's head, group research, said the website offers reliable and comprehensive economic, currency, banking, commodity and trade data on markets in Sub-Saharan Africa, assisting clients to make informed investment and other financial decisions seamlessly.

"Ecobank understands regional and local business customs, regulations and country-specific risks better than any other bank in Africa because we operate on the ground in 33 markets."

According to the report, Nigeria accounts for 90 percent of the Gross Domestic Product (GDP) of Anglophone countries in West Africa which stretches from Gambia to Nigeria, Ghana, Guinea, Liberia, Nigeria, Sierra Leone and the West African Monetary Zone (WAMZ), which draws together the mostly English-speaking countries of West Africa.

Economic forecast for the region looks brighter with Nigeria, Africa's largest economy exiting recession, Ghana's growth gaining momentum, and the region's smaller countries picking up as they shake off the lingering effects of the Ebola outbreak

> The recovery in commodity prices, notably oil and cocoa, has boosted economic growth especially in Nigeria and Ghana

Mining

A geo-data system disruption

Temitayo Ayetoto

NIGERIA'S FAILURE to consolidate on the foundational efforts of the British colonial regime in its mining sectors has been hinged on the dearth of geological information system, a knowledge gap which deprives operators of well collated and analysed massive volumes of data on the landscape of operations.

This, Abubakar Bwari, the minister of state for mines and steel development, said, necessitated the collaboration between the British Geological Survey (BGS) and its agency, Nigeria Geological Survey Agency (NGSA), towards the establishment of a Nigerian National Geo-data Archiving system.

Receiving the representatives of BGS, Matt Harrison and Jenny Forster, at a meeting, the minister reiterated that data was key to developing the mining sector to the standard it attained during the colonial era, citing the coal mine in Enugu and the Jos tin mines and columbite mines, as footprints of the British mining activities in the country.

"We are retracing our steps and that is why we need to go back to foundation and so it is not by accident that we are coming back to you. We know the role you played and we believe we benefited from it.

When you visit Kaduna, I am sure it will bring back memories because most of the things that are there still have strong ties or relationship with what the British did here in the past. So we know where we are coming from; we know exactly where we are going; we know what we need to move forward and we cannot do that without collaboration and assistance of BGS.

Abubakar Bawa Bwari, minister of state for mines and steel development

We believe with your assistance and guidance, the data in your possession will help us in facilitating what we want, data we believe is key and without data, we will not be able to move forward in the sector," the minister of state explained.

Linus Adie, the project co-ordinator, Mineral Sector Support for Economic Diversification (MinDiver) in his address said the implication of lacking geological archival system was that stakeholders would have to travel long distance to get the information they need.

The establishment of Nigerian National Geo-data Archiving System, according to

> We are retracing our steps and that is why we need to go back to foundation and so it is not by accident that we are coming back to you

him, means that the ministry would bring all the geo-data in the industry into one format that is retrievable for investors.

Adie explained that the BGS were in the country for a preliminary study which Nigeria has no financial obligations except logistics handling. The Nigerian National Geo-data archiving system, he said, would be domiciled in NGSA, "the system will be based in NGSA, it will be operated by NGSA, it will train the NGSA staff on how to operate, it will expose them to the practices in other countries, it will be all inclusive, and we should be able to have a new NGSA at the end of this project," Adie stressed.

Alex Nwegbu, the director general of NGSA, believes the collaboration would further facilitate the ease of doing business in the sector as a result of information accessibility.

"What we intend to do in collaborating with British Geological Survey is to articulate and bring together, most of the information that are in different areas and in different format so that the people who are interested in the mining sector can easily have access to vital information that would enable them make decisions," he said.

Matt Harrison, the director of informatics, British Geological Survey (BGS), said the collaboration was an opportunity to work with NGSA and share innovative ideas, noting the BGS had discussed with the NGSA on how it could open up opportunities in the industry to investors like has been done in other countries.

The BGS visit will also close relationship with NGSA and the National Steel Raw Materials Research Agency in Kaduna on the establishment of the National Geo-data and Archiving System.

For Abdulkadri Mu'azu, permanent secretary of the ministry of mines and steel development, getting the sector to function in the most efficient manner is the key issue.

"We discussed the wonderful job you are doing in Kenya and I believe your coming is a fulfilment of some of these discussions and the government is well committed to working with you.

We have learnt about diversifying and the sector is one of the key sectors we can focus on to broadened our revenue base," he said

Africa

in 2013-16.

The report said the outlook for both Nigeria and Ghana, the second key member of the block appears okay for this year as Nigeria is improving oil production, Ghana getting a boost from an expansionary 2018 government budget and rising energy production; Guinea, Liberia and Sierra Leone are on the up as their recovery from the effects of Ebola gathers pace and the positive political outlook in The Gambia driving economic prospects.

Outside oil and gas, Anglophone West Africa is a major producer of soft commodities – cocoa, cashew nuts, natural rubber and wood both for regional consumption and for export to world markets.

The region is an important exporter of hard minerals, including gold, diamonds, and manganese, iron and aluminium ores, with Ghana the leading gold producer.

It is also a financial hub, having an estimated 39 percent of Middle Africa's banking assets in 2015 (mostly in Nigeria). Nigeria and Ghana host two of the largest stock exchanges in Africa, in Lagos and Accra, respectively.

The report further noted a marginal output of limestone, coal, gold and coltan, could be greatly scaled up with the potential to develop industrial-scale production of iron ore and uranium.

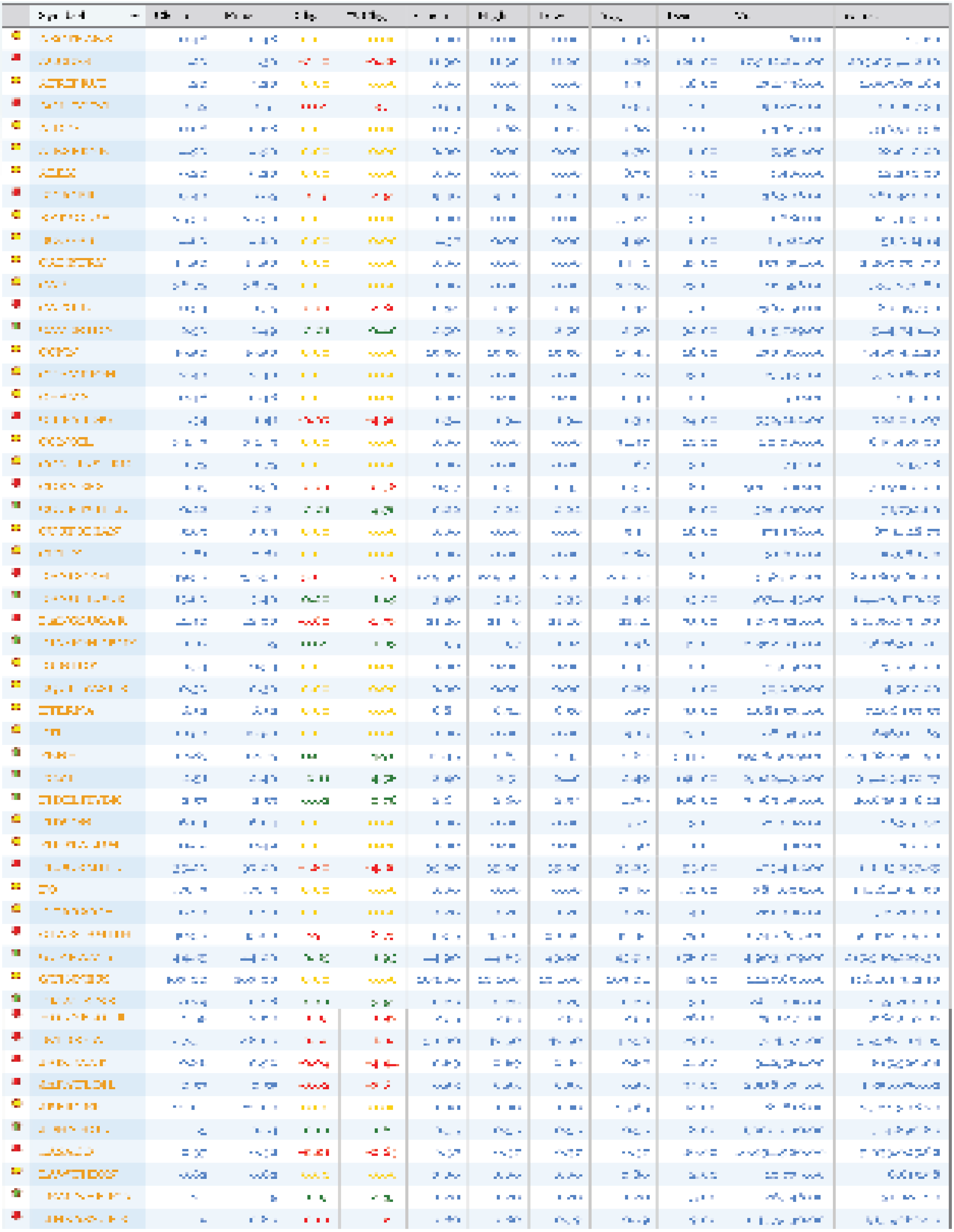
"Nigeria is believed to have Africa's second largest reserves of iron ore, estimated at two billion tonnes. In recent years, Nigeria has become the largest producer of cement in West Africa, with total estimated installed capacity of 42.7 million tonnes in 2015. The surge in production is being driven by the Dangote Group, which is expanding operations across sub-Saharan African and which plans to boost exports of clinker and cement from Nigeria to the sub-region. Nigeria has developed the world's largest sugar refining complex in Lagos, and has successfully phased out imports of packaged and refined sugar," the report said.

Mirroring the complex relationship between Nigeria's volume of production and export, the report explained that issues such as inadequate infrastructural framework, dearth of technology, smuggling, among others, continue to draw backward initiative efforts.

"Nigeria is sub-Saharan Africa's largest producer of palm oil, with estimated output of 980,000 tonnes of crude palm oil (CPO) in 2017. However, CPO production has stagnated in recent years, owing to a lack of investment in new plantations and dry weather that has cut yields. The country also produced 151,000 tonnes of natural rubber (NR) in 2014, making it the region's second largest producer, after Côte d'Ivoire. Nigeria is Africa's fourth largest producer of cashew nuts, with estimated output of 190,000 tonnes of raw cashew nuts in 2017, representing 5.7 percent of world production. However, the cashew nut sector is undermined by rampant smuggling, with up to a third of the crop being smuggled to Benin, Cameroon, Togo and Ghana as farmers search for higher prices. Nigeria is Sub-Saharan Africa's largest producer of tomatoes, with output of around 2 millions onnes per year, representing two-thirds of West Africa's tomato output. However, around half of annual production rots before it reaches the markets, owing to poor infrastructure and logistics, necessitating Africa's largest imports of tomato paste. Nigeria also produced an estimated 50,000 tonnes of sesame seeds and 50,000 tonnes of cotton lint in 2016," It said.

The Nigerian Stock Exchange

Official Price List April 20, 2018



MARKET DATA

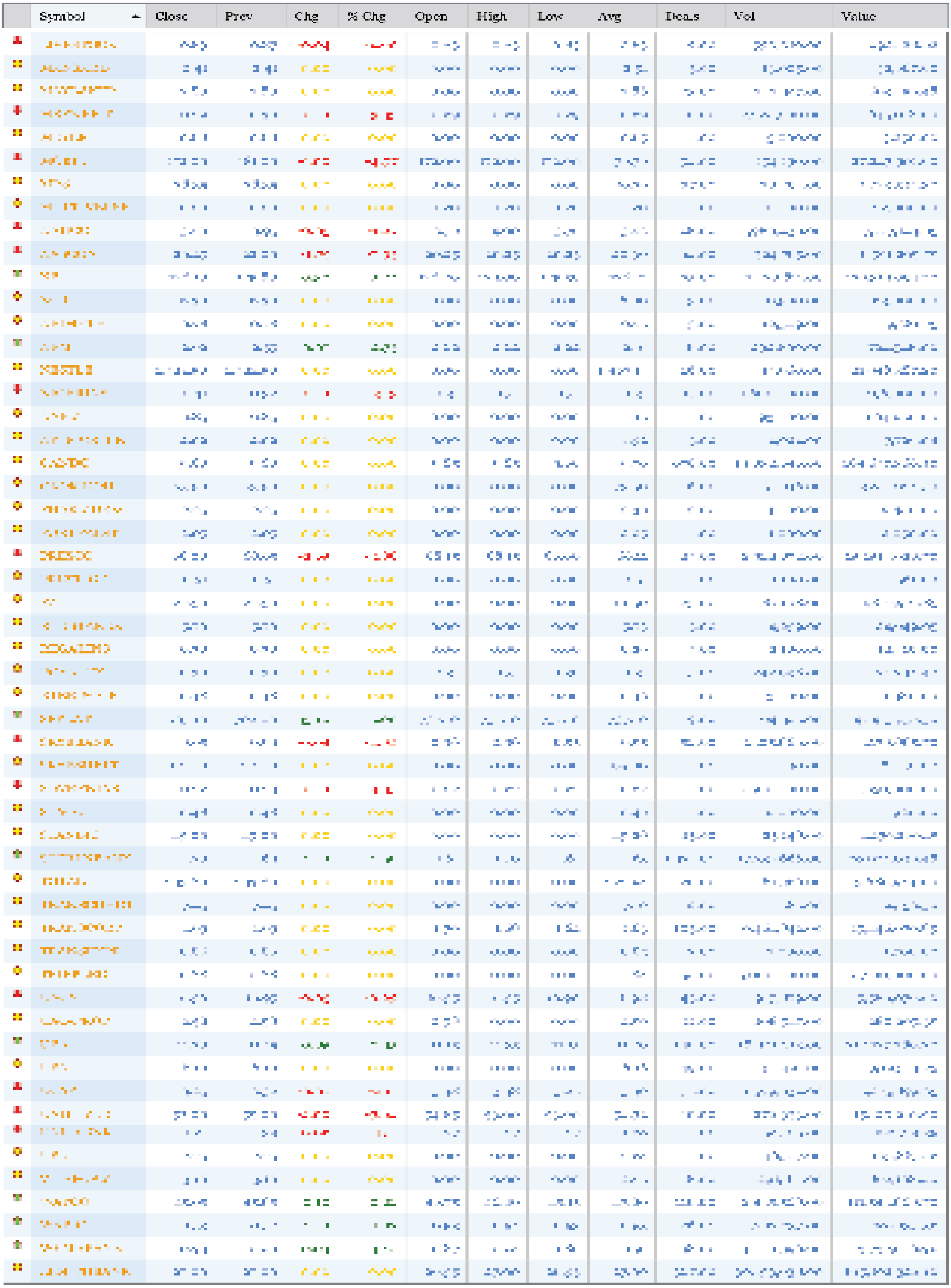


Figure 4: Oil scenarios for Nigeria in 2018

Year	2017E	2018E								2019E
Brent oil, $/bl	55	80	70	62 base case	60	50	45	40	30	55 base case
Oil production	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Real GDP growth, %	0.8	4	3.5	2.8	2.7	1.7	0.6	1	1.8	3
NGN/$, avg	329	328	344	358	359	364	372	381	393	360
Inflation, %, avg	15.6	11.3	11.8	12.1	12.2	12.7	12.8	13.1	13.7	11.5
Policy rate, %, YE	14	12	12	12	12	13	13	14	14	12
CA balance, $bn	10.4	25.7	19.1	12.8	12.6	5	2.7	-0.6	-7.1	8
% of GDP	3.0	5.4	4.5	3.3	3.4	1.7	0.8	-0.2	-2.5	1.9
Budget balance, % of GDP	-4.0	-2.2	-2.5	-3.4	-3.5	-4.2	-4.3	-4.9	-5.0	-3.0
GDP, NGNbn	114,607	155,105	147,563	140,001	133,980	128,085	122,571	118,775	111,192	154,556
GDP, $bn	349	473	429	391	373	347	329	312	283	429

Source: Renaissance Capital estimates

Figure 5: Oil production and price

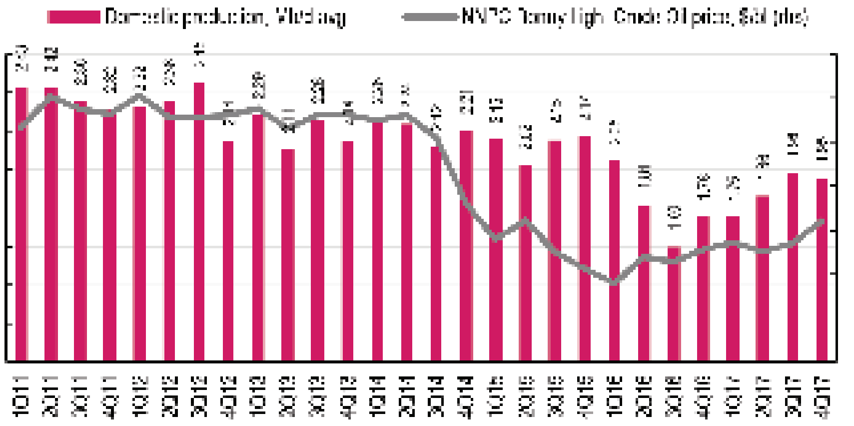
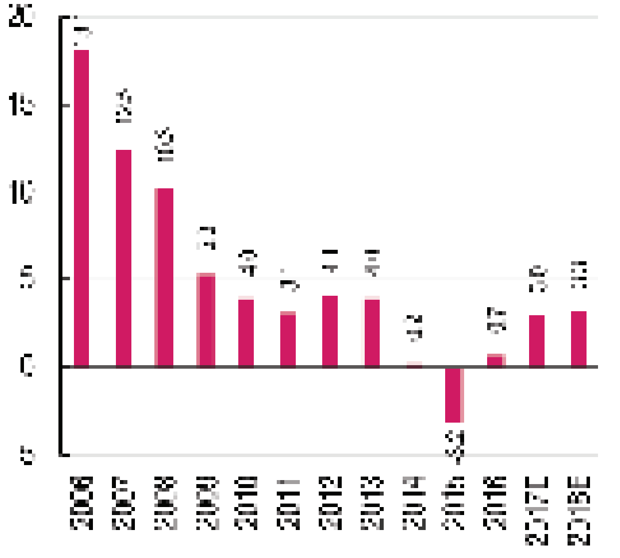


Figure 1: Current account, % of GDP



Source: Central Bank of Nigeria, Renaissance Capital estimates

Figure 6: Inflation vs interest rates, %

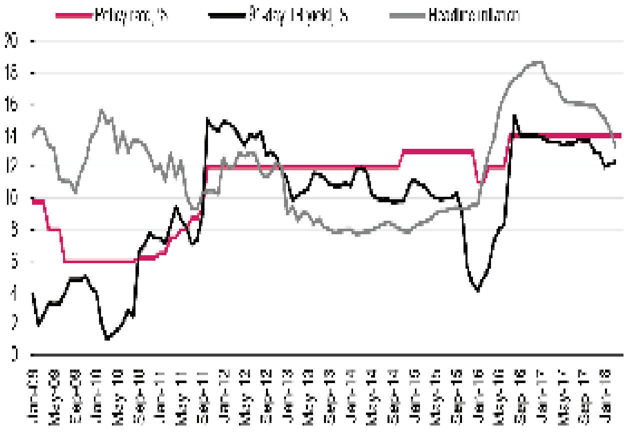
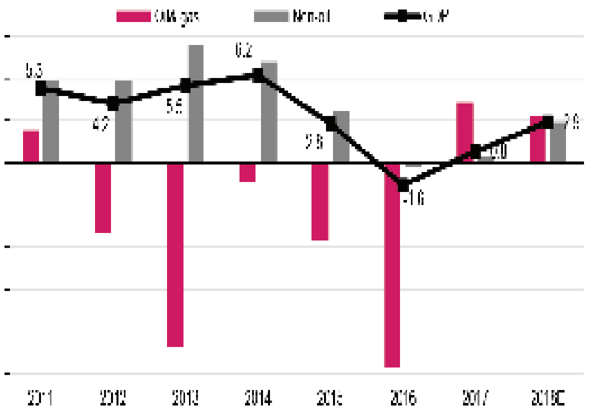
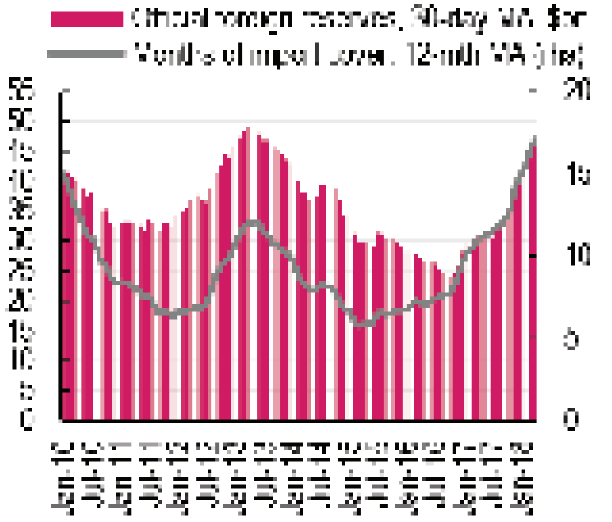


Figure 7: GDP, oil and non-oil sector growth, % YoY



Source: Nigeria National Bureau of Statistics, Renaissance Capital estimates

Figure 2: FX reserves



Source: Central Bank of Nigeria

Figure 3: Budget deficit, % of GDP

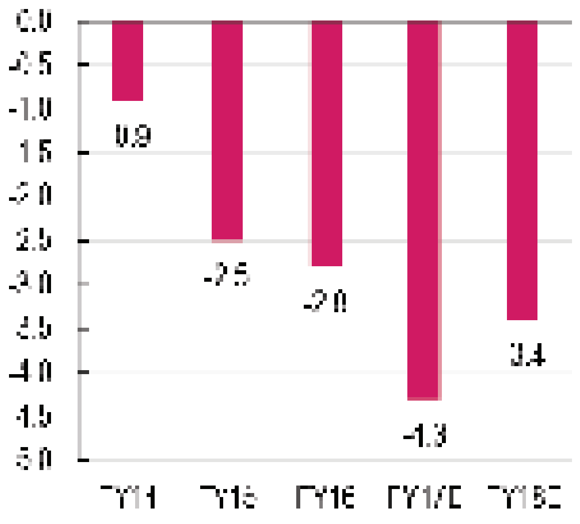
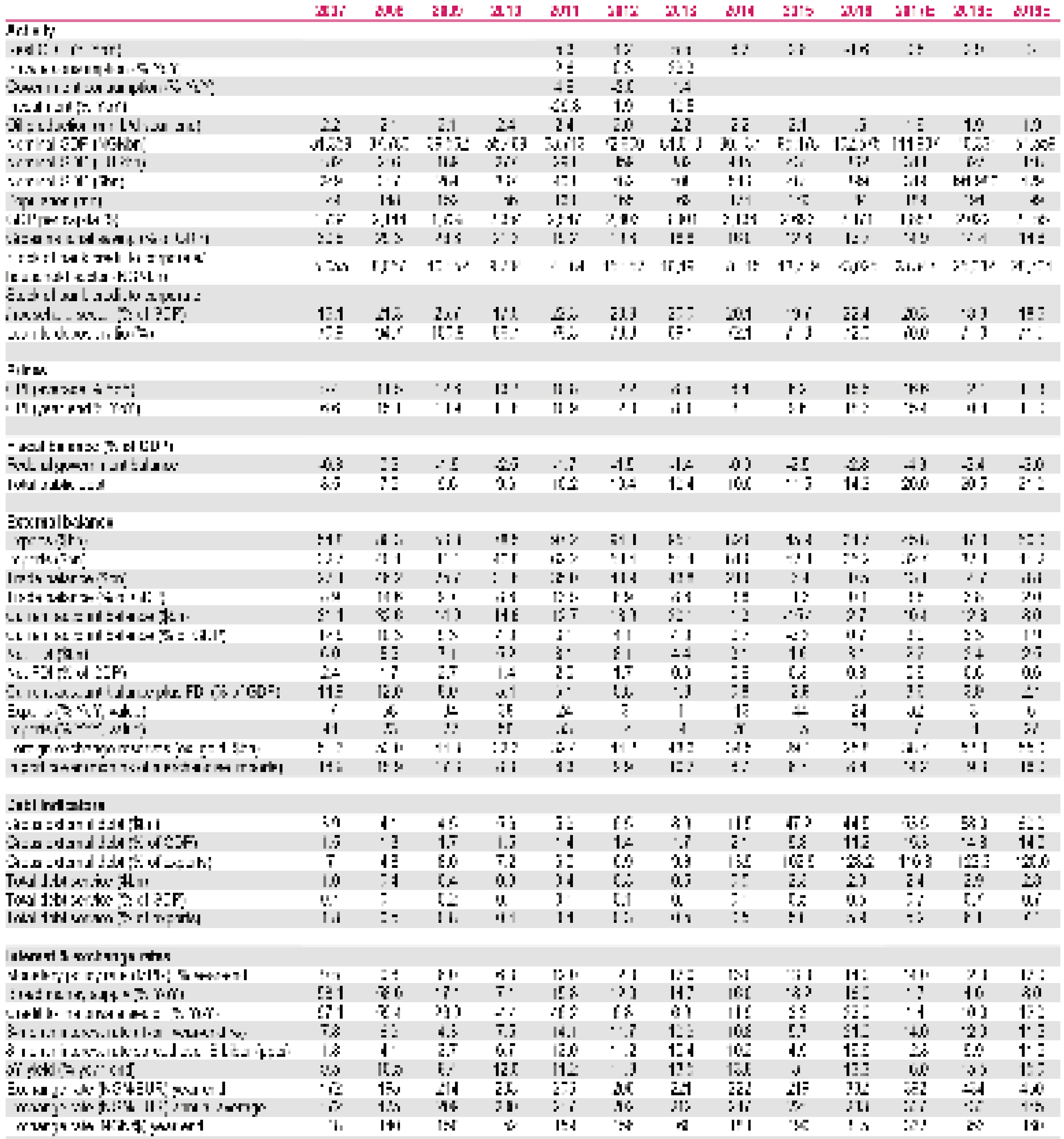


Figure 8: Nigeria – key economic forecasts

Ratings (Moody's/S&P/Fitch): B1/B/B+



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
Activity													
Real GDP (% YoY)					[illegible]	[illegible]	[illegible]	[illegible]	2.8	-1.6	[illegible]	[illegible]	[illegible]
Private consumption (% YoY)					2.8	6.5	[illegible]						
Government consumption (% YoY)					4.8	-3.0	1.4						
Investment (% YoY)					-20.8	1.9	10.9						
Oil production (mn bbl per day)	2.2	2.1	2.1	2.4	2.4	2.0	2.2	2.2	2.1	[illegible]	[illegible]	1.9	1.9
Nominal GDP (NGNbn)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nominal GDP (NGNtn)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nominal GDP ($bn)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Population (mn)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GDP per capita ($)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gross domestic savings (% of GDP)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stock of bank credit to corporates/households (NGNbn)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stock of bank credit to corporates/households (% of GDP)	13.1	21.6	26.7	[illegible]	[illegible]	20.9	[illegible]	20.1	[illegible]	22.4	[illegible]	[illegible]	[illegible]
Loan/deposit ratio (%)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Prices													
CPI (average % YoY)	[illegible]	11.5	12.5	13.7	10.8	[illegible]	[illegible]	[illegible]	[illegible]	15.6	[illegible]	[illegible]	[illegible]
CPI (year-end % YoY)	6.6	15.1	[illegible]	[illegible]	10.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fiscal balance (% of GDP)													
Federal government balance	-0.3	0.3	-1.5	-2.5	-1.7	-1.5	-1.4	-0.9	-2.5	-2.8	-4.0	-3.4	-3.0
Total public debt	6.5	7.3	6.6	9.5	10.2	10.4	10.4	10.6	[illegible]	14.3	20.0	20.3	[illegible]
External balance													
Exports ($bn)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imports ($bn)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade balance ($bn)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade balance (% of GDP)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Current account balance ($bn)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Current account balance (% of GDP)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net FDI ($bn)	6.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net FDI (% of GDP)	2.4	1.7	2.7	1.4	[illegible]	1.7	0.0	[illegible]	0.2	0.3	[illegible]	0.6	0.6
Current account balance plus FDI (% of GDP)	11.5	12.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.8	[illegible]	[illegible]	[illegible]	[illegible]
Exports (% YoY, value)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imports (% YoY, value)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]
Foreign exchange reserves (ex gold, $bn)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Import cover (months of imports of goods and services)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Debt indicators													
Gross external debt ($bn)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	44.5	[illegible]	[illegible]	[illegible]
Gross external debt (% of GDP)	1.5	[illegible]	1.7	1.3	[illegible]	1.4	[illegible]	[illegible]	5.8	11.2	[illegible]	[illegible]	[illegible]
Gross external debt (% of exports)	7	[illegible]	8.0	7.2	[illegible]	6.9	[illegible]	[illegible]	[illegible]	128.2	[illegible]	[illegible]	120.0
Total debt service ($bn)	1.0	[illegible]	0.4	0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total debt service (% of GDP)	[illegible]	[illegible]	0.2	[illegible]	[illegible]	0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total debt service (% of exports)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interest & exchange rates													
Monetary policy rate (MPR) (%, year-end)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Broad money supply (% YoY)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit to private sector (% YoY)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3-month interest rate (year-end, %)	7.8	[illegible]	4.3	7.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.0	[illegible]	[illegible]
3-month interest rate spread over USD Libor (ppt)	1.8	[illegible]	2.7	6.7	12.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5Y yield (% year-end)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exchange rate (NGN/EUR) year-end	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exchange rate (NGN/EUR) annual average	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exchange rate (NGN/USD) year-end	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exchange rate (NGN/USD) annual average	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: [illegible]

Futures prices as of April 14th, 2018

Contract	Month	Open	High	Low	Last	Change	Date
Grains							
Wheat	May 18	476-2	476-6	462-2	463-2s	-13-4	04/20/18
Corn	May 18	381-2	381-6	376-2	376-4s	-5-4	04/20/18
Soybeans	May 18	1087-0	1088-4	1027-6	1028-6s	-8-4	04/20/18
Soybean Meal	May 18	373.9	376.3	370.4	374.1s	+0.8	04/20/18
Soybean Oil	May 18	31.42	31.49	31.25	31.30s	-0.11	04/20/18
Oats	May 18	236-0	236-0	231-4	232-4s	-3-0	04/20/18
Rough Rice	May 18	13.005	13.070	12.960	12.990s	-0.050	04/20/18
Hard Red Wheat	May 18	494-2	495-4	481-4	482-6s	-13-4	04/20/18
Spring Wheat	May 18	611-0	611-2	589-6	593-0s	-15-2	04/20/18
Softs							
Cotton #2	May 18	83.00	86.63	83.00	85.47s	+2.50	04/20/18
Orange Juice	May 18	142.05	149.35	141.60	149.35s	+0.10	04/20/18
Coffee	May 18	115.00	115.75	114.45	115.75s	+1.50	04/20/18
Sugar #11	May 18	11.54	11.78	11.57	11.64s	-0.11	04/20/18
Cocoa	May 18	2805	2805	2743	2748s	-83	04/20/18
Lumber	May 18	549.50	551.50	546.30	548.60s	-3.60	04/20/18
Sugar #16	Jul 18	14.95	14.95	14.95	14.95s	unch	04/20/18
Meats							
Live Cattle	Jun 18	106.500	104.800	101.625	103.725s	+0.725	04/20/18
Feeder Cattle	May 18	138.825	138.700	137.150	138.325s	+0.900	04/20/18
Lean Hogs	May 18	70.150	70.750	69.300	69.950s	-0.300	04/20/18
Class III Milk	May 18	14.97	15.10	14.89	14.90s	-0.10	04/20/18
Energies							
Crude Oil WTI	Jun 18	68.32	68.66	67.49	68.40s	+0.07	04/20/18
ULSD NY Harbor	May 18	2.1178	2.1366	2.0856	2.1230s	+0.0136	04/20/18
Gasoline RBOB	May 18	2.0772	2.0987	2.0605	2.0859s	+0.0185	04/20/18
Natural Gas	May 18	2.675	2.746	2.658	2.738s	+0.079	04/20/18
Crude Oil Brent (F)	Jun 18	74.00	74.30	72.93	74.06s	+0.38	04/20/18
Ethanol Potenza	May 18	1.508	1.510	1.494	1.499s	-0.009	04/20/18
Metals							
Gold	Jun 18	1348.5	1348.9	1337.0	1338.3s	-10.5	04/20/18
Silver	May 18	17.235	17.260	17.040	17.163s	-0.076	04/20/18
High Grade Copper	May 18	3.1360	3.1470	3.1055	3.1350s	+0.0090	04/20/18
Platinum	Jul 18	939.4	948.8	928.9	931.8s	-8.9	04/20/18
Palladium	Jun 18	1033.30	1032.65	1005.30	1030.30s	+3.75	04/20/18
Indices							
S&P 500 E-Mini	Jun 18	2680.50	2688.25	2658.75	2671.50s	-21.50	04/20/18
Nasdaq 100 E-Mini	Jun 18	6777.75	6790.25	6646.00	6678.25s	-101.75	04/20/18
Dow Jones 30 E-Mini	Jun 18	24633	24665	24338	24439s	-204	04/20/18
Russell 2000 E-Mini	Jun 18	1574.50	1578.70	1560.50	1566.70s	-8.40	04/20/18
S&P Midcap E-Mini	Jun 18	1913.90	1917.70	1897.10	1901.40s	-12.70	04/20/18
S&P 500 VIX	May 18	16.520	17.500	16.300	17.085s	+0.450	04/20/18
S&P GSCI	May 18	471.30	473.70	468.30	473.70s	+0.55	04/20/18
Financials							
T-Bond	Jun 18	143-27	145-31	143-20	145-03s	-0-21	04/20/18
Ultra T-Bond	Jun 18	157-01	157-06	155-23	155-30s	-0-31	04/20/18
10-Year T-Note	Jun 18	119-270	119-295	119-150	119-175s	-0-090	04/20/18
Ultra 10-Year T-Note	Jun 18	128-080	128-065	127-185	127-215s	-0-130	04/20/18
5-Year T-Note	Jun 18	119-197	119-210	119-130	119-140s	-0-057	04/20/18
2-Year T-Note	Jun 18	106-080	106-087	106-002	106-007s	-0-010	04/20/18
30-Day Fed Funds	Jun 18	98.1850	98.1850	98.1800	98.1850s	unch	04/20/18
Eurodollar	Jun 18	97.6800	97.6350	97.6150	97.6300s	+0.0050	04/20/18
Currencies							
U.S. Dollar Index	Jun 18	89.655	90.345	89.640	90.075s	+0.380	04/20/18
Bitcoin Chicago Potenza	May 18	8280	8600	8240	8580s	+280	04/20/18
Bitcoin CME Potenza	May 18	8300	8585	8285	8530s	+270	04/20/18
British Pound	Jun 18	1.4117	1.4131	1.4089	1.4055s	-0.0055	04/20/18
Canadian Dollar	Jun 18	0.79030	0.79340	0.78985	0.78615s	-0.00485	04/20/18
Japanese Yen	Jun 18	0.934500	0.934600	0.930400		-0.001650	04/20/18
Swiss Franc	Jun 18	1.09400	1.09470	1.09320	1.09340s	-0.00900	04/20/18
Euro FX	Jun 18	1.23845	1.24085	1.23390	1.23335s	-0.00560	04/20/18
Australian Dollar	Jun 18	0.77230	0.77300	0.76260	0.76680s	-0.00560	04/20/18
Mexican Peso	Jun 18	0.053680	0.053770	0.053040		-0.000480	04/20/18
New Zealand Dollar	Jun 18	0.72670	0.72690	0.71950	0.71980s	-0.00600	04/20/18
South African Rand	Jun 18	0.082900	0.082900	0.081950		-0.000675	04/20/18
Brazilian Real	Jun 18	0.30875	0.30275	0.30165	0.30345s	-0.00160	04/20/18
Russian Ruble	Jun 18	0.016345	0.016350	0.016115		-0.000110	04/20/18

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TOWARDS MORE EFFICIENT MARKETS

The "Next Eleven" and the world economy

JIM O'NEILL

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While China and India continue to drive the global economy, they are joined by a number of other high-population, high-potential countries, particularly in Asia. It is becoming increasingly clear that future growth will be based not just on one powerhouse country, but on region-wide gains in prosperity.

Collectively, the N-11 comprises some 1.5 billion people, and its current nominal GDP is around $6.5 trillion

On a recent holiday in Vietnam, Cambodia, and Laos, I couldn't resist thinking about these countries' economic potential and ongoing policy challenges. After all, in 2005, my Goldman Sachs colleagues and I had listed Vietnam as one of the Next Eleven (N-11) – all countries with the potential to become important economies during this century.

Vietnam reported that its real (inflation-adjusted) GDP growth was 7.4% in the latest quarter, outpacing China. And, according to the World Bank's forecast, Vietnam, along with Cambodia and Laos, is on track to maintain a similar level of growth for the year.

The N-11 never acquired the cachet of the BRIC acronym, which I coined in 2001 to describe a bloc of emerging economies (Brazil, Russia, India, and China) that stood to have a significant impact on the world economy in the future. The N-11 countries weren't at the level of the BRICs, but nor was either acronym intended to be an investment theme. Rather, N-11 was simply a label we applied to the next 11 most populous, highest-potential emerging economies after the BRICs.

Around the time that we published the 2005 paper "How Solid are the BRICs?", in which we first identified the N-11, I often joked that we chose 11 simply because it was the number of players on a soccer team. When others would point out that we had excluded more populous countries such as Congo and Ethiopia, I would muse that Ethiopia could be the N-11's Ole Gunnar Solskjaer, in reference to Manchester United's brilliant sub-in scorer during the 1990s.

Then as now, the N-11 comprised a mixed bag: South Korea, Mexico, Indonesia, Turkey, Iran, Egypt, Nigeria, the Philippines, Pakistan, Bangladesh, and Vietnam. These countries have extremely diverse economic and social conditions, and very different levels of wealth. For example, South Koreans now enjoy a standard of living similar to that in the European Union, which makes many analysts' persistent categorization of South Korea as an "emerging economy" all the more baffling.

Meanwhile, Mexico's and Turkey's levels of wealth haven't come anywhere near that of South Korea, and yet they are considerably wealthier than the rest of the N-11, some of which remain among the poorest countries in the world. At the same time, Asian N-11 countries such as the Philippines and Vietnam have grown significantly since 2005, while Mexico's performance has been somewhat disappointing, and Egypt's even more so.

Collectively, the N-11 comprises some 1.5 billion people, and its current nominal GDP is around $6.5 trillion. In other words, while its population is slightly larger than that of China or India, its economy is about half the size of China's, but larger than Japan's and more than twice the size of India's.

These divergences help to explain why a number of new acronymic groupings have since been carved out of the N-11, including the MINT (Mexico, Indonesia, Nigeria, Turkey) and the MIST (swapping in South Korea for Nigeria). I didn't devise these groupings, but I have come to be associated with them, having produced a BBC radio documentary on the MINT countries in 2014. At any rate, they were in keeping with earlier points I had raised; namely, that by 2010, Mexico, Indonesia, South Korea, and Turkey would each account for more than 1% of global GDP.

Eight years later, the MIST economies still have a chance to account for around 2-3% of world GDP in the future. None is likely to reach the size of any of the BRIC economies, except, perhaps, Russia. Owing to its current problems, Russia's GDP is now around the same size as South Korea's. If it doesn't sort itself out soon, its GDP could fall below that of Mexico, or even Indonesia.

Of the other seven N-11 economies, Nigeria, Vietnam, and perhaps Iran stand out for having the most potential. Still, each faces serious obstacles to becoming a $1 trillion economy, never mind accounting for 2-3% of world GDP.

Looking beyond each of these countries' individual prospects, what is important for economic observers and investment professionals to understand is that the N-11 as a bloc has grown by around 4.5% so far this decade, after growing by almost 4% in the previous decade. Given the size of its output, the N-11's growth is contributing significantly to the world economy, alongside the primary drivers of China and India.

I kept reminding myself of this fact while traveling around Vietnam, where my tranquility was repeatedly interrupted by blaring headlines about US President Donald Trump's tweets and escalating violence in the Middle East.

Before heading to Vietnam, I had the privilege of writing a review for Nature of Factfulness: Ten Reasons We're Wrong About the World – and Why Things Are Better Than You Think, a brilliant book by the late physician Hans Rosling, which his daughter published posthumously this year. Factfulness is one of just a few recent works to focus on the remarkably positive things happening in the world. Rosling, along with Harvard University's Steven Pinker, was right to be optimistic. An unblinkered view of the world reveals many promising signs, especially for the global economy.

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