GLOBAL RECESSION WATCH

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A daily monitor of developments of the global economic recession prepared by the Monetary Policy Department, Central Bank of Nigeria

AFRICA:

a) Ghana is Seeking $1 Billion Loan from IMF, Says Eurasia Group

Ghana is in talks to borrow about $1 billion from the International Monetary Fund under the Washington-based lender's new relaxed credit-facility terms, Eurasia Group said. The loan is required to correct imbalances in the West African nation's economy, including a current account deficit in "low double digits," inflation of 20 percent and a depreciating local currency, Sebastian Spio-Garbrah, Middle East and Africa analyst at New York-based Eurasia, said in an e- mailed report yesterday.

"The negative macroeconomic trends are now beginning to affect the country's micro economy as many of Ghana's over capitalized banks decelerate their expansion of credit," Spio- Garbrah said. Ghana, the world's second-largest cocoa producer, said last month it will receive $1.2 billion of interest-free loans from the World Bank over the next three years to bolster its economy.

Economic growth is slowing as demand for its commodities drops amid the global financial crisis. The country also ranks as Africa's second-biggest gold miner, after South Africa.

Source: Bloomberg.com, April 23, 2009

b) World Bank Warns Angola of an "Extremely Difficult" Year 2009

The World Bank on Wednesday warned oil-and-diamond-rich Angola of a very difficult year in 2009 and urged the south-western African nation to bolster efforts to diversify its economy. "Angola's dependence on oil and diamonds means its economy is vulnerable to the international market," observed World Bank senior economist Ricardo Gazel. "We know that this year will be extremely difficult for Angola." Gazel said Angola's oil revenues were expected to fall by 50 percent this year, as the worst economic downturn since the Great Depression continues to weigh on oil prices.

Oil prices have plunged more than $100 per barrel since July last year and were trading at around $48 per barrel on Wednesday, April 23, 2009. "This means the Angolan government will have to cut costs. It should also continue to diversify the economy away from oil and diamonds," he stated. Oil revenues, which constitute 90 percent of Angola's income, dropped to less than $900 million in January from $3 billion in the same period last year, according to Gazel. The sharp drop prompted Angola's government to announce it will revise downwards a $42 billion spending plan for this year after cutting its 2009 growth forecast to 3 percent from 11.8 percent. The World Bank expects Angola to experience negative growth for the whole of 2009. The International Monetary Fund has predicted a contraction of 3.6 percent.

President Jose Eduardo dos Santos has in recent years called for investment in the non-oil sectors of the economy, like agriculture, in a bid to end the country's reliance on oil and diamonds. Oil and diamonds accounted for almost 60 percent of Angola's gross domestic product (GDP) in 2008 while the farming sector represented just 8.6 percent, according to Gazel. "The fact is that Angola still remains too dependent (on oil and diamonds)," he stated.

In a related development, Angola sold less than 5 percent of a 60 billion kwanza bond auction on Wednesday, April 22, 2009 raising fears that investors were losing interest in the once-booming economy. The country's currency, kwanza, pegged at 75 to the U.S. dollar since 2007, has lost ground in recent weeks and is now worth around 78 kwanzas per dollar .

Source: Reuters.com, April 23, 2009

HIGHLIGHTS

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MIDDLE EAST:

Emirates NBD Launches High Yield MENA Fund

Emirates NBD on Tuesday launched a new fund to provide high and rising income streams, coupled with the prospects of generating capital growth, by investing in a range of high-yielding securities in the Middle East and North Africa (MENA) region.

The Emirates MENA High Income Fund, which will be managed by Emirates Investment Services Ltd, will buy equities and fixed income securities issued by companies based in MENA nations or who derive a significant portion of their earnings from the region.

The fund targets annualized distributions of the United States Dollar Libor plus 300 to 500 basis points, said Deon Vernooy, senior executive officer at Emirates Investment Services. He did not reveal how much the fund is expected to raise. However, he said that the Emirates will be very happy if the fund raises $ 100 million (Dh 367.3 million) by the end of this year, given the current tough condition of the market.

The fund got a soft launch in January and raised $ 12 million. It is being launched to satisfy investor demand for high income products, given the relative low yields currently available across most asset classes. The fund will invest primarily in stocks, and is looking forward to generate dividend yields higher than average yield of the broader market.

In addition, the use of cash and fixed income instruments will provide an element of security as well as diversify risk. The fund's income share class will pay out returns to investors on a semi-annual basis. Minimum investments in the fund are $ 25,000 for individual investors and $ 1 million for institutional investors.

Source: Gulf News of April 23, 2009

ASIA:

Mizuho, Japan's Second Largest Bank, Reports 580 billion Yen Loss

Mizuho financial group inc., Japan's second-largest bank by revenue, posted a bigger-than-expected full-year loss after the global financial crisis sent markets tumbling, cutting the value of its investments. The 580 billion yen ($ 5.9 billion) loss for the 12 months ended March 31 compares with a 311 billion yen profit a year earlier, Mizuho announced today (Thursday, April 23,2009), citing preliminary figures. The median of nine analyst estimates compiled by Bloomberg was a 401 billion yen loss. The global recession has forced Japan's largest banks to write down the value of their investments and raise funds to restore their balance sheets.

Goldman Sach Group Inc. and Macquarie Group Ltd warned investors last month that Mizuho may have to sell new shares, and Fitch ratings said yesterday Japan's largest lenders may need public funding. "Mizuho has the thinnest margins, the thinnest capital, and more of its capital is exposed to the equity market," David Threadgold, a Tokyo-based analyst at fox-pitt kelton, said before the announcement. "Things have deteriorated, the equity market's gone down, and the credit cycle has turned negative."

Mizuho is also more vulnerable to rising bad loans than larger Mitsubishi UFJ financial group Inc., according to Macquarie and credit Suisse group AG analysts, as it earns less on its loans and investments. The full-year loss was Mizuho's first in six years. The company fell 1 percent to close at 192 yen in Tokyo trading today, while an 84-stock index tracking Japanese banks was little changed. The company fell 48 percent in the fiscal year, the fifth-biggest drop on the index of lenders, which declined 39 percent. The bigger-than-expected loss contrasts with credit Suisse, which announced first-quarter earnings today that exceeded analyst estimates, help by a recovery in trading revenue.

Monday's investors service Inc. cut its credit ratings on Mizuho on April 8, citing the increasing likelihood it may need to raise capital as the economy deteriorates and markets slump. Monday's cut the deposit and senior debt credit ratings on the company's three main units to Aa3 from Aa2m and also reduced the rating on its preferred securities by two levels to Baa1. Takashi Tsukamoto, who became chief executive officer of Mizuho on April 1, said last month the bank may sell up to 900 billion yen, or 31 percent, of its stock portfolio to reduce the impact of market movements on earnings.

The bank, which invested $ 1.2 billion in Merrill lynch & co. before it was bought by bank of America corp., has already raised about 440 billion yen selling preferred securities since December. Mitsubishi UFJ has raised more than $ 13 billion selling shares, preferred securities and bonds since November, following the purchase of a 21 percent stake in Morgan Stanley .

Source: Bloomberg.com, April 23, 2009

MIZUHO IS ALSO MORE VULNERABLE TO RISING BAD LOANS THAN LARGER MITSUBISHI UFJ FINANCIAL GROUP INC., ACCORDING TO MACQUARIE AND CREDIT SUISSE GROUP AG ANALYSTS, AS IT EARNS LESS ON ITS LOANS AND INVESTMENTS.

AMERICA:

a) US Treasuries Little Changed Before Fed Purchases, Housing Report

Treasuries were little changed, after falling for two days, as the Federal Reserve prepared to buy notes on April 23 and economists observed an industry report will show home sales fell. Notes gave up initial gains before the U.S. government auctions $8 billion of five-year inflation-protected securities today and announces how much it plans to raise next week in sales of two-, five- and seven-year notes. Goldman Sachs Group Inc. disclosed the U.S. won't have trouble selling debt in the "short term," in a report yesterday.

"The Fed will push interest rates lower," stated Kevin Yang, who helps oversee $30 billion as a fund manager in Taipei at Shin Kong Life Insurance Co., Taiwan's second-largest life insurer. "There's nothing to show the economy has recovered. I don't think the worst is over." He purchased Treasuries yesterday, he stated. The yield on the 10-year note was 2.94 percent in London, according to BGCantor Market Data. The 2.75 percent security due in February 2019 traded at a price of 98 13/32. A basis point is 0.01 percentage point.

Ten-year yields, which slid to a record low of 2.04 percent on Dec. 18, have averaged 4.23 percent for the last five years. Three-month bill rates were 0.13 percent, falling from 0.97 percent six months ago. The Fed plans to buy government securities due from May 2012 to August 2013 today, its second round of purchases this week. It said on March 18 it will scoop up $300 billion of the securities within six months to cut borrowing costs.

Fed Chairman Ben S. Bernanke more than doubled the central bank's balance sheet in the past year to $2.19 trillion by purchasing financial assets including Treasuries as he tries to revive credit markets that froze last year. President Barack Obama has increased the U.S. marketable debt to a record $6.27 trillion, borrowing unprecedented amounts to try to snap the longest U.S. economic slump since the 1930s. The U.S. needs to raise $3.25 trillion this fiscal year, as the government finances bank bailouts, stimulates the economy and services deficits, according to Goldman.

Yields on five-year Treasury Inflation Protected Securities were little changed at 1.17 percent, declining from an auction rate of 3.27 percent the last time the government sold the securities on October 27, 2008. Investors bid for 1.81 times the amount of debt on offer at the prior auction. The average for the past 10 auctions is 2.21. Demand fell at the October auction as the U.S. recession reduced the cost of living, giving investors less reason to buy TIPS, which compensate investors if inflation accelerates .

Source: Bloomberg.com, April 23, 2009

BY PUSHING FOR DETAILED DISCLOSURE, THE ADMINISTRATION IS SEEKING TO GIVE THE PUBLIC THE ABILITY TO DIFFERENTIATE THE HEALTH OF THE NATION'S MAJOR LENDERS.

b) U.S. Weighs Revealing Each Bank's Capital Needs after Tests

The US administration may direct banks judged to need capital after stress tests to disclose how they plan to get additional funds when the government reveals the results May 4, a person familiar with the matter stated. Officials are discussing a release that will show the assessments for each of the 19 biggest U.S. banks. Lenders would specify whether they will issue new stock, seek a conversion of government preference shares, or rely on additional taxpayer funds.

By pushing for detailed disclosure, the administration is seeking to give the public the ability to differentiate the health of the nation's major lenders. The move would also address the concerns of some investors that banks needing extra money will be punished without a detailed strategy already in place to get the capital. "Transparency is critical," observed Bill Brown, a visiting professor at Duke University School of Law in North Carolina and a former managing director at Morgan Stanley. "While banks have pushed to keep the kimono closed, the stress tests have forced it open".

It was also observed that financial regulators remain concerned about investors' reaction to a bank that wants to seek private money but doesn't have a firm commitment. The Treasury's capital-assistance program gives companies six months to obtain the funding. In one scenario under discussion, firms that fall between those strong enough to forgo new capital and those that need injections, the Treasury would provide the money immediately and the banks would announce that the investment is provisional. "Where there is a need for additional capital," banks will "work out with their primary supervisors what's the best mix" of options, Treasury Secretary Timothy Geithner told a congressional oversight panel in Washington. He noted that choices include converting previous government investments from preferred to common stock, getting money from private sources or tapping the $700 billion financial-rescue program.

The Treasury and banking regulators are still working out the final details of how to reveal the test results and plans could change. Generally, the regulators favor less disclosure because bank exam data is confidential, while the Treasury advocates releasing more details.

Source: Bloomberg.com, April 22, 2009

EUROPE:

a) U.K Financial Bailout Totals 1.4 Trillion Pounds, Equaling GDP

U.K. government support for the banking system has risen to 1.4 trillion pounds ($2 trillion) and may climb higher as the financial crisis spreads to building societies and economists warn lenders may need more aid. Prime Minister Gordon Brown's government yesterday offered to guarantee some mortgage-backed bonds, adding as much as 50 billion pounds to the bailout that began with the collapse of Northern Rock Plc in 2007. The amount invested in, loaned to or pledged to back bank assets now equals Britain's gross domestic product, or 22,800 pounds for every person in the U.K. "The size of this financial bailout is unprecedented," said Alan Clarke, an economist at BNP Paribas in London. "The worry is that this is not going to be enough and the government may need to come back and step in again."

The U.K. government has taken over four banks, insured assets and underwritten loans to spur an economy ravaged by the global credit crisis. Brown is using that leverage to force banks to increase lending as he trails the Conservative Party in the polls and prepares for elections no later than June 2010. The Treasury, in the budget submitted to Parliament yesterday, estimated the bailout may cost taxpayers 50 billion pounds. That contradicts with the International Monetary Fund's estimate that the bill may climb to 9.1 percent of GDP, or about 132 billion pounds. In return for state aid, Lloyds Banking Group Plc, Royal Bank of Scotland Group Plc and Northern Rock Plc has pledged to increase lending by 44 billion pounds over the next year.

Government measures to cap losses on toxic assets have eased strain in the credit markets. The difference between the three-month London interbank offered rate for pounds and the expected average Bank of England base rate, an indicator of banks willingness to lend, has narrowed by 56 basis points since Feb. 26, when RBS said it would enter the government's asset insurance plan. The spread was 107 basis points yesterday, compared with a record 299 basis points on Nov. 6. "Government's interventions in the financial system have therefore protected the economy from the worst costs of financial instability or bank failures," the government said in the budget report .

Source: Bloomberg.com, April 23, 2009

THE U.K. GOVERNMENT HAS TAKEN OVER FOUR BANKS, INSURED ASSETS AND UNDERWRITTEN LOANS TO SPUR AN ECONOMY RAVAGED BY THE GLOBAL CREDIT CRISIS.

b) Euro Advances Against Dollar, Yen as Credit Suisse Posts a Profit

The euro rose against the dollar and the yen after Credit Suisse Group AG, the biggest Swiss bank by market value, said it returned to profit in the first quarter, spurring demand for higher-yielding currencies. The yen fell against the Australian and New Zealand dollars as Asian stocks advanced after Credit Suisse's earnings exceeded estimates. The euro also advanced before European reports today that economists say will show manufacturing and service industries improved for a second month, adding to evidence the euro area's recession is easing. "Asian stock markets, a gauge for risk aversion, rebounded following Credit Suisse's earnings news," Tomohiro Nishida, a foreign-exchange dealer at Chuo Mitsui Trust & Banking Co. in Tokyo. "The bounce back of stocks triggered buying of the euro and other higher-yielding currencies."

The euro climbed to $1.3037 as at 7.15 am April 23, 2009 in London from $1.3005 yesterday in New York after falling as low as $1.2980. It advanced to 127.72 yen from 127.48, after earlier weakening to 126.80. Japan's currency was little changed at 97.967 per dollar from 98.01. Japan's Nikkei 225 Stock Average rose 1.4 percent and the MSCI Asia-Pacific Index of regional shares climbed 1.4 percent. Credit Suisse announced a net income of 2 billion Swiss francs ($1.7 billion), compared with a 2.15 billion-franc loss a year earlier, the Zurich-based bank said in a statement. Earnings were twice the median estimate of analysts surveyed by Bloomberg News. The euro rose against 13 of the 16 most-active currencies before Markit Economics releases its composite index of Europe's manufacturing and service industries. The index, which is based on a survey of purchasing managers, rose to 38.9 in April from 38.3 the previous month, according to a Bloomberg News survey .

Source: Bloomberg.com, April 23, 2009

BRIC:

Brazilian Bank Lending Rebounds, Pointing to Recovery

THE LENDING FIGURES SHOW THAT PRESIDENT LUIZ INACIO LULA DA SILVA'S EFFORTS TO BEEF UP BORROWING AND SPUR DOMESTIC DEMAND AMID THE GLOBAL RECESSION ARE HAVING AN EFFECT.

Brazilian bank lending rebounded in March, after falling for the first time in five years in February, suggesting Latin America's largest economy is pulling out of its deepest contraction in over a decade. Combined lending by state and non-state banks rose 1 percent to 1.24 trillion reais ($563 billion) from a revised 1.23 trillion reais in February, the central bank said in a statement distributed today in Brasilia. Lending climbed 25 percent from the same month last year. In February, lending fell 0.02 percent, the first monthly drop since January 2004.

The lending figures show that President Luiz Inacio Lula da Silva's efforts to beef up borrowing and spur domestic demand amid the global recession are having an effect. Since September, the government has eased bank reserve requirements and encouraged state-controlled banks to step up lending, while the central bank has cut its benchmark mark rate twice. "The credit expansion is more moderate, but the numbers show that for good borrowers there's still funds available," said Alexandre Lintz, chief strategist with BNP Paribas in Sao Paulo. "On this front, it seems the worst of the crisis is past and now we will move toward normalization."

The lending, jobs and sales reports are at odds with a weekly central bank survey of economists that forecasts a 0.49 percent economic contraction this year. The central bank in March cut its official growth forecast for 2009 to 1.2 percent in March, down from a forecast of 3.2 percent in December. For the country's budget, the Finance Ministry and Budget Ministry forecast 2 percent growth. The average annual interest rate that Brazilian banks charge customers fell to 39.2 percent from 41.3 percent in February, the report said. The default rate on personal loans fell to 8.3 percent from revised 8.4 percent. Debt as a percentage of the country's gross domestic product increased to 42.5 percent from 41.8 percent in February and 35.5 percent in March 2008, the central bank said.

Government controlled-banks represented 37.1 percent of the credit market, up from 34.2 percent a year earlier. Privately held banks' market share decreased to 41.9 percent from 44 percent a year earlier .

Source: Bloomberg.com, April 23, 2009

Table 2: DEPRECIATION OF EXCHANGE RATES VIS A VIS US DOLLAR (END-PERIODS) - % CHANGE > 15%

COMPARATIVE EXCHANGE RATES (Currency Units Per US$) - % Change

CATEGORY	COUNTRY	CURRENCY	31-Dec-07	23-Apr-09	YTD % Change
OECD COUNTRIES	AUSTRALIA	Dollar	1.13430	1.42369	-20.33
	CANADA	Dollar	0.98810	1.23580	-20.04
	HUNGARY	Forint	172.91800	230.59000	-25.01
	ICELAND	Krona	62.00000	129.48000	-52.12
	KOREA	Won	938.20000	1,340.60000	-30.02
	MEXICO	Peso	10.91570	13.17500	-17.15
	NEW ZEALAND	Dollar	1.29190	1.80505	-28.43
	NORWAY	Krone	5.41100	6.80020	-20.43
	POLAND	Zloty	2.43500	3.41960	-28.79
	SWEDEN	Krona	6.44150	8.66250	-25.64
	TURKEY	Lira	1.17780	1.63943	-28.16
	UNITED KINGDOM	Pound Sterling	0.49920	0.68790	-27.43
NON-OECD COUNTRIES	RUSSIA	Ruble	24.54620	34.10430	-28.03
	BRAZIL	Reals	1.77050	2.23999	-20.96
	INDIA	Rupee	39.41000	50.36000	-21.74
	ARGENTINA	Peso	3.15003	3.72790	-15.50
	KAZAKHSTAN	Tenge	120.30000	150.33000	-19.98
AFRICAN COUNTRIES	KENYA	Shilling	63.97007	79.50000	-19.53
	ZAMBIA	Kwacha	3,900.15000	5,680.00000	-31.34
	SOUTH AFRICA	Rand	6.81000	8.95507	-23.95
	BOTSWANA	Pula	6.28472	7.57576	-17.04
	GHANA	New Cedi	0.99620	1.42851	-30.26
	MAURITIUS	Rupee	28.21620	34.07510	-17.19
	NIGERIA	**Naira**	**117.80000**	**147.47010**	**-20.12**

Sources: 1. IMF International Financial Statistics
2. Exchange-rates.org
3. Google Country Currency Converter
4. TED, CBN

Notes: 1.Depreciation (-). Appreciation (+)
2.*Euro Area:- Recorded less than 15% depreciation
3. **UEMOA Countires:- Recorded less than 15% depreciation