ACCESS ECONOMIC QUARTERLY
Q1 2017

SPEED SERVICE SECURITY

IN THIS EDITION

ACCESS ECONOMIC QUARTERLY
Q1 2017

CONTENT DEVELOPMENT

Jide Olugbon
jide.olugbon@accessbankplc.com

Grace Olejeme
grace.olejeme@accessbankplc.com

Olajumoke Oladipo
olajumoke.oladipo@accessbankplc.com

Cynthia Ohuruzo
cynthia.ohuruzo@accessbankplc.com

CORRESPONDENCE

All enquiries should be forwarded to:
The Economic Intelligence Team
Access Bank Plc
Plot 999c, Danmole Street
Victoria Island, Lagos
T: +234 (1) 280 5619
E: economic Intelligence@accessbankplc.com


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1.0

GLOBAL ECONOMY

GLOBAL ECONOMY

Recently released economic data suggest that global economic activity continued to improve in the first quarter of 2017, following an acceleration in growth around the world in the second half of last year, particularly in some of the major developed economies, including the US and the Eurozone economies. The latest JP Morgan-IHS Markit global manufacturing Purchasing Managers Index (PMI) held steady at 53.0 in March, remaining at the highest level seen in 69-months.

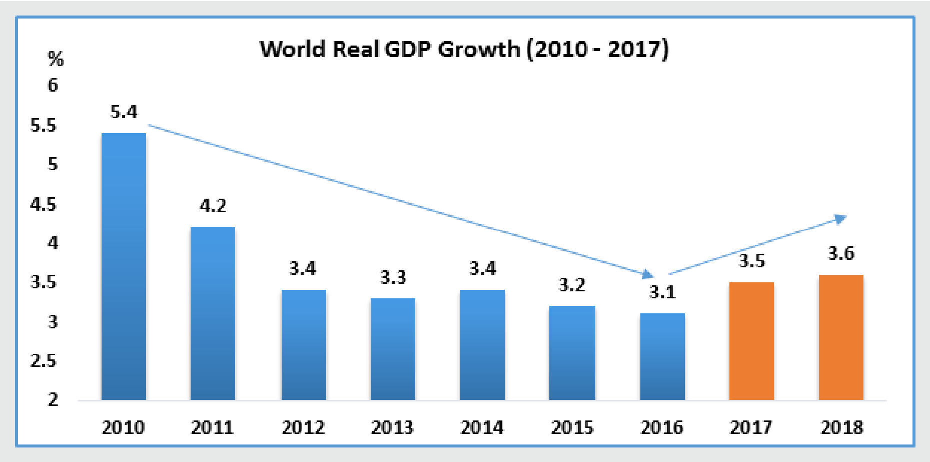
The rally seen in oil prices at the end of 2016 and in early 2017 lost impetus in response to an increase in supply in non-OPEC countries and a slower-than-expected drain on inventories. On 31st March, Brent Crude Oil prices traded at $52.83 per barrel, which was down 7% on a year-to-date basis, but still up 36.2% from the same day l ast year.

The US Federal Reserve (Fed) raised the federal funds rate by 0.25 percentage points to a range of 0.75% to 1% on March 15th in a show of confidence in the economy. It also signaled the likelihood of additional rate hikes later this year. Underscoring the diverging policy paths of major global central banks, the Bank of Japan, on the same day, kept monetary policy steady. Similarly, the Bank of England (BoE) and the European Central Bank (ECB) made no policy changes at their respective monetary policy meetings in March.

The International Monetary Fund (IMF) has raised its outlook for global growth, citing a post-election surge in confidence in the United States, better prospects in large emerging markets and an uptick in global trade. In its World Economic Outlook report, published in April, the Fund projected global growth at 3.5% in 2017 and 3.6% in 2018, a noticeable increase from the estimated 3.1% growth for 2016. The Fund, however, warned governments around the world to avoid protectionist economic policies in order ensure that gains of the global economic growth were widespread.

GLOBAL ECONOMY

GLOBAL GDP GROWTH



Source: IMF

1.1 UNITED STATES

The Bureau of Economic Analysis revised its third estimate of Q4 2016 gross domestic product (GDP) to +2.1%, up a notch from the prior estimate (+1.9%), but lower than the third quarter's +3.5% reading.

Recent economic data has painted a mixed picture of the economy. The March US Manufacturing Purchasing Managers' Index (PMI) compiled by research firm IHS Markit came in at 53.3, down from the 54.2 February figure. According to Markit, manufacturing growth slowed to a six-month low.

The momentum in the U.S. labor market slowed, with the private sector and the government adding only 98,000 jobs in March, following a 200,000 and 219,000 rise in January and February respectively. The lower job gains were attributed to temporary factors, such as the weather. The unemployment rate, meanwhile, fell to 4.5% from 4.7% and touched a nearly 10-year low despite the slowdown in hiring.

The University of Michigan Consumer Sentiment index recorded a final reading of 96.9 for March, down from a preliminary reading of 97.6 earlier in the month but higher than February's final reading of 96.3. In January, the university's consumer sentiment gauge reached 98.5, the highest since January 2004.

The Consumer Price Index dropped 0.3% in March, the first decline in 13 months and biggest decrease since January 2015 amid falling prices for gasoline and mobile phone services, which offset rising rents and food costs. In the 12 months through March, the CPI rose 2.4%, slowing from February's 2.7% increase. A 6.2% drop in gasoline prices was the biggest factor in the monthly decline in the CPI, which was also weighed down by a record 7.0% plunge in the cost of wireless telephone services.

U.S. retail sales fell for a second straight month in March. The Commerce Department said retail sales dropped 0.2% after a 0.3% decrease in February, which was the first and biggest decline in nearly a year. Compared to March last year retail sales increased 5.2%.

After widely signaling its intentions, the Federal Reserve voted to raise its key rate target to a range of 0.75% to 1%. The bank pointed to steady US growth, an improving labour market and greater confidence among consumers and businesses to justify its decision.

The US economy will remain resilient going into the second half of the year, buttressed by resilient household consumption and a surge in capital outlays on the back of upbeat business sentiment. However, geopolitical developments outside the US - from a possible confrontation with North Korea to ongoing tensions with Russia, turmoil in Europe surrounding Brexit, and national elections on the continent—could also dent risk appetite and place a brake on both the US recovery. In Q1 2017, the US economy is estimated to have grown by 1.5%, and the pace of expansion is forecast to pick up slightly to 1.7% in Q2 2017.

1.2 EURO AREA

According to data from Eurostat, Eurozone GDP slowed slightly to 1.7% from 1.8% achieved in the third quarter.

Unemployment in the Eurozone fell in February to its lowest level since May 2009. According to the European Union Statistical Agency (Eurostat), the jobless rate in the 19-nation single currency area fell to 9.5%, with sustained drops in Spain and Portugal also a factor.

The final Markit Eurozone Manufacturing PMI rose to a 71-month record of 56.2 in March, up from 55.4 in February and unchanged from the earlier flash estimate. The average PMI reading over the first quarter as a whole (55.6) was the highest since the opening quarter of 2011.

Inflation in the 19-member currency union fell to 1.5% in March from a four-year high of 2% in February. According to Eurostat, the main contributor to March's moderation was a smaller rise in energy prices as well as food, alcohol and tobacco prices. Core inflation edged down to 0.7% from February's 0.9%, suggesting that underlying price pressures are still moderate. The European Central Bank (ECB) aims at inflation rates of below, but close to, 2% over the medium term.

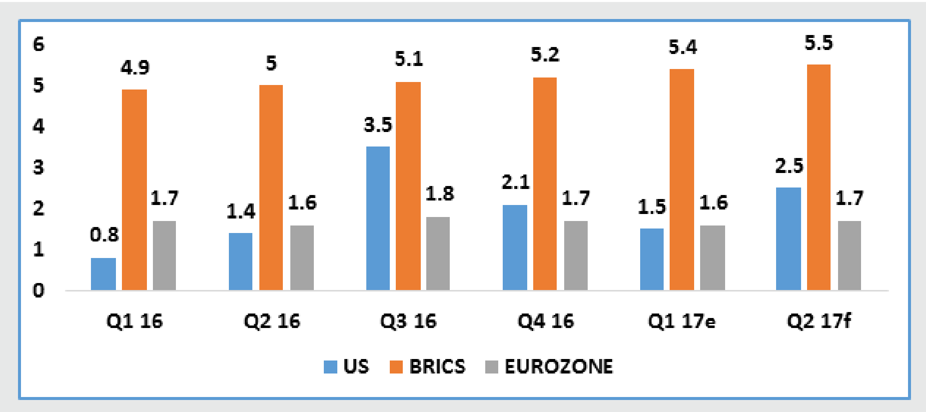
Economic sentiment in the Eurozone was broadly unchanged in March, according to the European Commission (EC). The economic sentiment index (ESI) inched down to 107.9 points from February's multi-year high of 108.0.

Lending to households in the 19-member currency bloc picked up to 2.3% in February from 2.2% a month earlier, its best rate since December 2010 suggesting that the ECB's monetary policy transmission is effective, at least to some extent, and is supporting the improvement in economic activity. Corporate lending growth meanwhile slowed to 2.0 percent from 2.3 percent a month earlier, its lowest rate since June and possibly breaking its recent trend for slow but steady acceleration.

The European Central Bank left interest rates and its quantitative easing programme unchanged at its governing council meeting on March 9th. This is despite the continuous improvement in economic activity and the rise in inflation, which was driven though by transitory effects. In tandem, the ECB lifted its GDP and inflation projections.

Rising political risks in the Eurozone could spark renewed financial stress in the currency bloc, which could have a significant adverse impact on growth. Growth is expected to remain fairly stable in the first half of 2017, with output forecast to expand at 1.7% in Q2 slower than Q1's estimated 1.6%.

GDP Growth Rate & Forecasts – Regional Comparison



Source: Bloomberg
e*: Estimate
f*: Forecast

GLOBAL ECONOMY
BRICS

1.3 BRICS
Brazil, Russia, India, China and South Africa (BRICS) have existed as a coherent economic group since 2009. They represent approximately 40% of the world population and generate approximately 20% of world output.

Brazil
While economic data has picked up from rock bottom — the contraction in GDP moderated to a 2.5% drop in Q4 from 2.9% annually in Q3 — dynamics remain feeble and the road to recovery is likely to be long as austerity measures dampen consumption.

Brazil's Manufacturing PMI averaged 46.8 in Q1 2017, compared to 45.9 in Q4 2016 and 46.0 in Q1 2016. All in, Q1 2017 marked the 12th consecutive quarter of Manufacturing PMIs below the threshold of 50 that separates expansion from contraction. One relatively brighter spot is that March Manufacturing PMI for Brazil came in at 49.6 - the highest monthly reading since February 2015 and relatively close to zero growth line of 50.0.

Business sentiment rose in March, climbing to its highest level in nearly three years. The Getulio Vargas Foundation's (FGV, Fundaçao Getúlio Vargas) business confidence index increased a seasonally adjusted 3.3% from the previous month, rising to 90.7 points from February's 87.8 points. Despite the rise, the index still remains below the 100-point threshold that signals that businesses are more pessimistic than optimistic.

Brazil trade surplus in March reached $7.1 billion. It's the highest surplus since 1989, when the government first began to compile the data. Brazilian exports added up to $20 billion – a 20.1% rise from February. According to Brazil's Ministry of Development, Industry, and Trade, the March results were 61% better than they were one year ago.

The unemployment rate climbed to 13.2% – with 13.5 million workers looking for jobs – in the three months through February, according to data from the Brazilian Geography and Statistics Institute (IBGE).

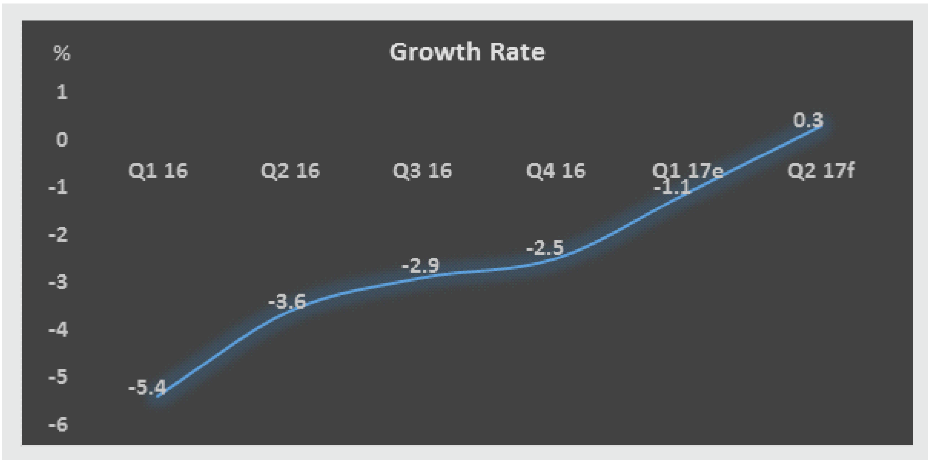
Inflation continued to drop in March, falling to an over six-year low of 4.57% (February: 4.76%). The slowdown came on the back of lower prices for food and beverages as well as transportation goods. The trend in consumer prices has now brought Inflation within the Central Bank's target band of 2.5%-6.5%. Reflecting the trend of falling inflation, the Central Bank's monetary policy committee's (Copom) at its February 21-22 meeting, cut the key rate (the Selic) 75bp to 12.25%.

Ratings agency Moody's Investors Service in March upgraded the outlook for Brazil's sovereign rating to "stable" from "negative," citing a recovering economy. Moody's has a Ba2 rating on Brazil credit, which is still non-investment grade.

GDP is poised to return to growth this year supported by lower inflation, improved confidence and a less-tight monetary policy. However, the improvement will be marginal due to high unemployment and austerity measures and political noise remains a risk to the outlook. Widespread public unrest, sweeping corruption scandals and deepening polarisation will keep political risk elevated over the coming quarters, weighing on investor sentiment and contributing to extreme uncertainty in terms of policy direction.

Q1 17 GDP outturn is estimated at -1.1%, while Q2 17 growth is forecast at 0.3%.

GDP Growth Rate & Forecast – Brazil



Source: Bloomberg

Russia

Recently released data showed that Russia's GDP returned to growth in the final quarter of 2016. Gross domestic product gained 0.3% from a year earlier in the fourth quarter after a decline of 0.4% in the previous quarter. GDP shrank 0.2% in the full year.

A number of other key indicators have improved recently.

The consumer confidence indicator published by the Federal Statistics Service (Rosstat) registered a fourth consecutive period of improvement in Q1 2017, rising to minus 15 points from minus 18 points in Q4 2016. Despite the advance, the index remains firmly entrenched below the 0-threshold, which indicates that pessimists outnumber optimists.

The main gauge of consumer demand, retail sales declined 0.4% year on year terms after dropping 2.8% in February.

Consumer prices rose by 4.3% year-over-year in March, below the prior month's reading of 4.6%. The easing of price pressures together with a gradual return to economic growth encouraged the central bank to cut its main interest rate by 25 basis points to 9.75% in March.

Russian Manufacturing PMI averaged 53.2 in Q1 2017, unchanged in Q4 2016 and up on 49.1 average for Q1 2016. This marks the third consecutive quarterly PMI reading for Manufacturing that sits above 50.0 marker. In March, the index's headline reading dipped to 52.4 from 52.5 in the previous month, staying above the 50.0 mark that separates expansion from contraction.

Ratings Agency Standard and Poor's (S&P) Global Ratings in March lifted its outlook on Russia to "positive" from "stable", citing improving economic growth prospects and lower risk of large capital outflows. However, the agency maintained its 'BBB-minus' long term credit rating — leaving it one notch above junk territory. In the same month, Ratings agency Fitch affirmed Russia's sovereign outlook at stable, saying the upside and downside risks to the rating are currently balanced. Fitch also maintained the country's long-term foreign currency sovereign rating at BBB-minus.

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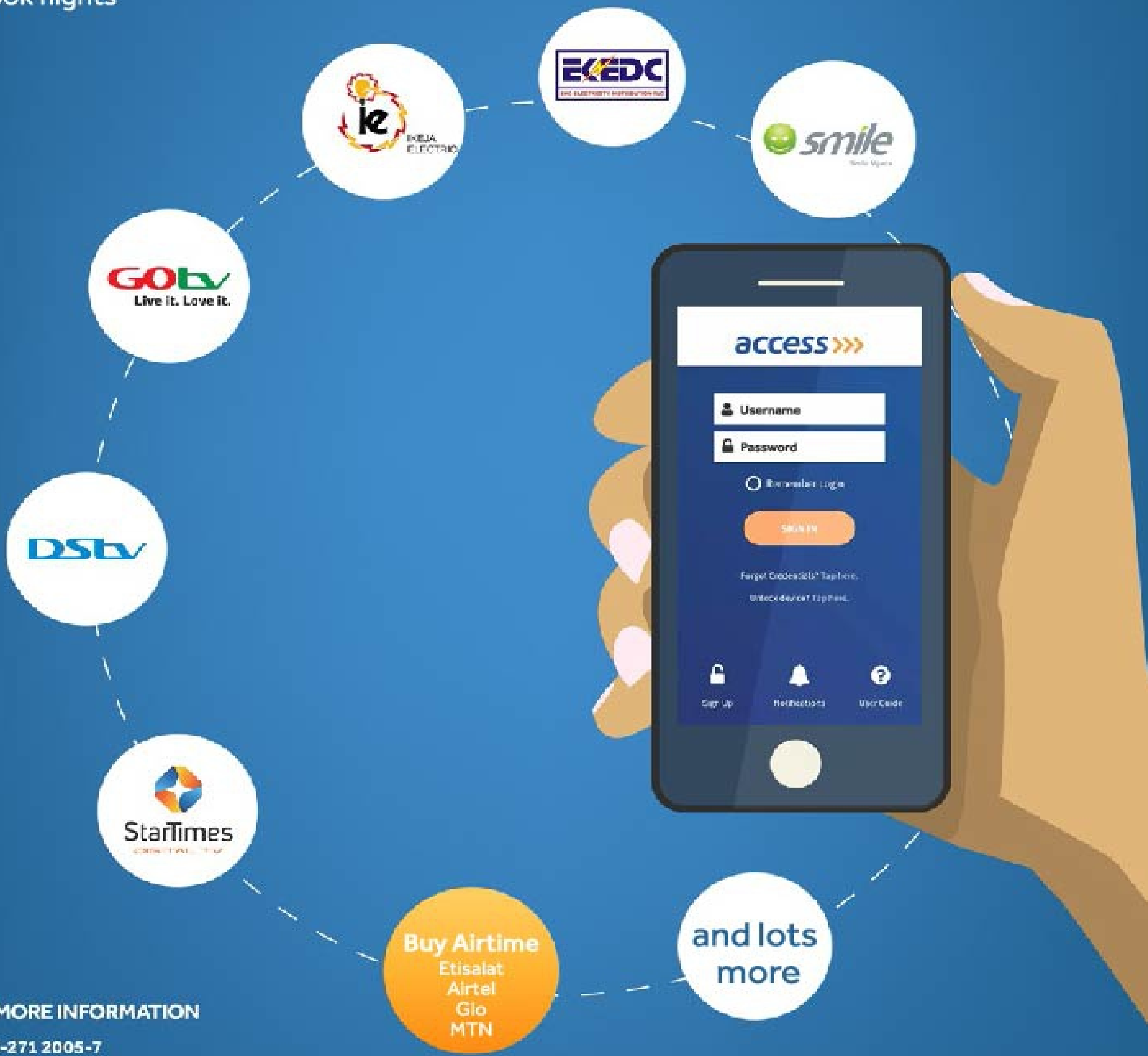

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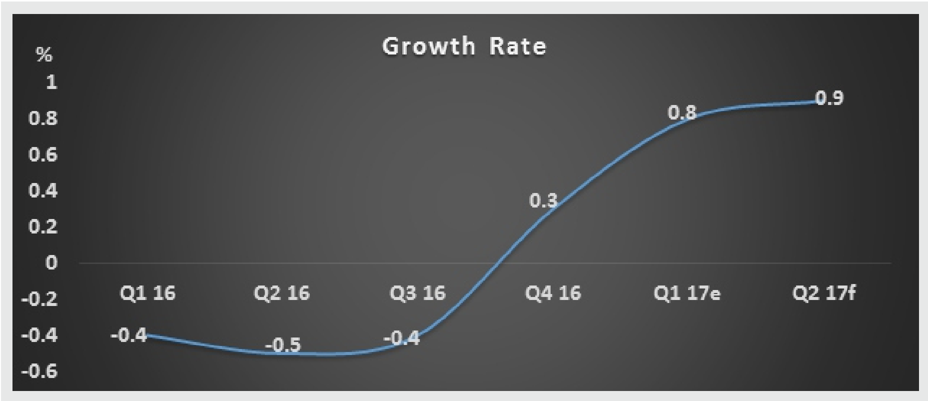
The Russian economy responded exceptionally well to adverse shocks last year, emerging from a protracted recession. Economic growth is expected to strengthen this year supported by higher oil prices, stronger consumer demand and improving macroeconomic fundamentals. An estimated 0.8% GDP growth rate in Q1 is expected to be accompanied by a 0.9% expansion in Q2.

GDP Growth Rate & Forecast – Russia



Source: Bloomberg.

GLOBAL ECONOMY
BRICS

India

India's economy grew at a 7% annual pace in Q4 2016, a slower pace from the growth of 7.4% logged in the preceding quarter.

India's trade deficit widened to a four-month high of $10.44 billion in March following a surge in merchandise imports. Merchandise exports in March grew 28% to $29.23 billion while imports surged 45.25% year on year to $39.67 billion in March.

Indian Manufacturing PMIs averaged 51.2 in Q1 2017, down from 52.1 in Q4 2016 and worse than 51.5 reading for Q1 2016. Q1 2017 was the weakest of three consecutive quarters, suggesting that the economy is having difficulty recovering from the de-monetization experiment by the Indian Government.

India's inflation rate rose to 3.81% in March from February's 3.65%, pushed up by a rise in the prices of sugar, confectionary, snacks and fruits.

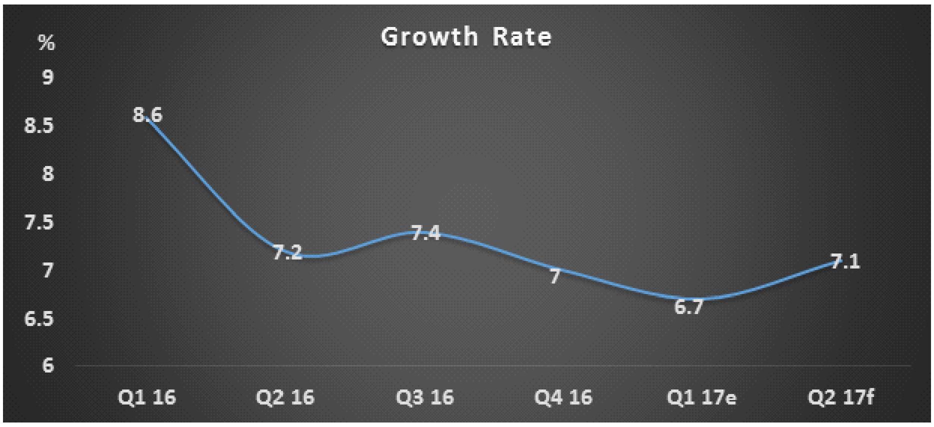
The Monetary Policy Committee (MPC) in February kept the benchmark rate unchanged at 6.25% in March, and moved its stance from 'accommodative' to 'neutral', which essentially hints the chances for future rate cuts are limited.

The Indian government unveiled the 2017 budget in February. Adhering to fiscal consolidation roadmap, the budget targets a fiscal deficit of 3.2% of the GDP. Finance Minister Arun Jaitley also announced increases in spending on rural areas, infrastructure and fighting poverty, and sought to assure lawmakers and the country that the economic impact of the government's cash crackdown would wear off soon.

Over the coming quarters, domestic demand is expected to gradually normalise, allowing industrial activity and business confidence to recover. At the same time, improving external demand is likely to support increased production, especially in the mining, raw materials, and steel sectors which are currently benefitting from higher commodity prices and government support in the form of increased anti-dumping measures.

India's economy is estimated to have decelerated to 6.7% in Q1, and is forecast to record 7.1% growth rate in Q2 17.

Growth Rate & Forecast - India



Source: Bloomberg

China

China's gross domestic product (GDP) expanded at an annualized 6.9% in the first quarter of 2017. The reading, the quickest increase in 18 months, was above the full-year target of 6.5% and the 6.8% increase registered in the fourth quarter of 2016, according to the National Bureau of Statistics (NBS).

Fixed asset investment in the first two months of the year grew 8.9% year-on-year, up from 8.1% in 2016 and 7.9% in the fourth quarter of last year. Fixed-asset investment includes capital spent on infrastructure, property, machinery and other physical assets. Investment by state-owned enterprises climbed by 14.4%year-on-year. Private sector fixed-asset investment, which accounts for more than 60% of the total, grew by 6.7% in the first two months, accelerating from 3.2% in 2016 and marking the fastest growth since March 2016.

However, other the results weren't all positive. Retail sales, a gauge of private and government spending, rose just 9.5% year-on-year, down sharply from 10.9% in December. That was the slowest growth rate in recent history.

The People's Bank of China (PBoC) in March increased interest rates by 10 basis points on both its medium-term lending facility (MLF) and its open market operation (OMO) reverse repurchase agreements.

Data released by the People's Bank of China showed foreign exchange reserve rose by US$3.96 billion in March to US$3.0091 trillion, after rising US$6.9 billion in February. In the first quarter, the reserves fell by US$1.4 billion compared with the end of last year, a modest change. The stabilisation comes after the government stepped up controls of outbound payments and investments to stem the flow of cash overseas.

Chinese Manufacturing PMI averaged 51.3 in Q1 2017 on par with Q4 2016, quashing the hopes that the credit stimulus of the 2H 2016 will translate into domestic demand uplift. So far, Manufacturing PMIs managed to stay above 50.0 marker.

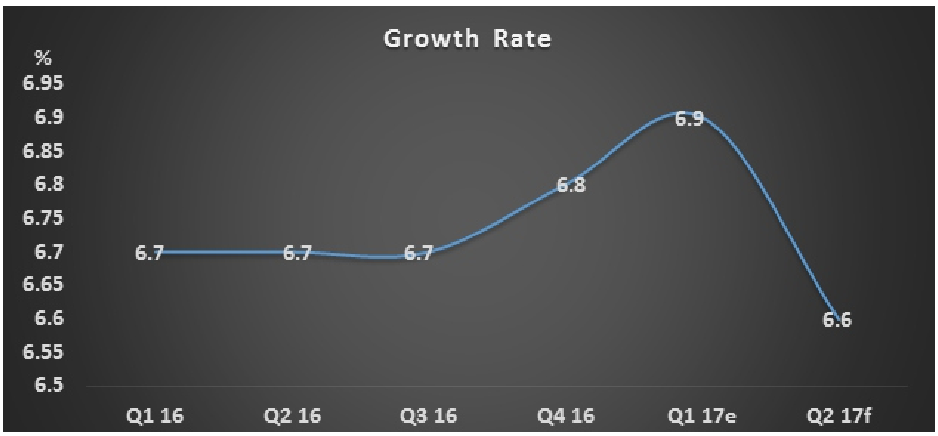
China's trade balance returned to a surplus in March, helped by renewed strength in exports after a deficit in February. The balance between exports and imports came to a surplus of $23.93 billion in March, compared with a deficit of $9.15 billion in February. Exports rose 16.4% in March from a year earlier, following a 1.3% drop in February. Imports continued to expand rapidly, growing 20.3% in March compared with February's 38.1% surge.

China's consumer prices rose 0.9% year-on-year in March 2017, following a 0.8% rise in February. Cost of non-food rose more than in the prior month while cost of food continued to fall.

China will continue its transition to a "new normal" growth trajectory, which implies weaker but more sustainable economic growth. However, downside risks in the form of a trade war with the United States and a sharp correction in the property market loom on the horizon.

Growth is forecast to lose momentum slightly in Q2 2017, dropping to 6.6%.

Growth Rate & Forecast - China



Source: Bloomberg.

South Africa

Figures released by Statistics South Africa confirmed that South Africa's economy contracted by 0.3% in Q4 2016. Output rose by just 0.3% over the year as a whole. The economy only avoided a recession on technical grounds – output fell in Q1 and Q4, not in any two consecutive quarters. The mining sector was the key factor behind the latest fall in output. The industry contracted by 11.5% in Q4 2016.

More recent activity data suggest that South Africa's economy had a weak start to the year.

Retail sales fell by 1.7% year-on-year in February after a 2.3% contraction in January, with general retailers, particularly clothing and furniture sellers recording diminished activity. In the three months ended February, seasonally adjusted retail trade sales decreased by 1.3% with the previous three months.

The Standard Bank Purchasing Managers' Index (PMI), compiled by Markit, edged up to 50.7 from 50.5 from February, remaining above the 50 mark dividing expansion from contraction for the longest stretch in more than four years.

Inflation slowed to 6.1% y-o-y in March from 6.3% y-o-y in February. The key cause of slowing inflation was fading of food price pressures, which had pushed up headline inflation in 2016. Food prices rose by 8.7% y-o-y in March, the weakest rate in over a year. The Reserve Bank targets inflation of between 3% and 6% and held its key policy rate on hold at 7% at its meeting in March.

South Africa's current account deficit narrowed to close to a six-year low, of 1.7% of GDP (at a seasonally-adjusted annualised rate). That was down sharply from Q3's deficit of 3.8% of GDP (revised from an original estimate of 4.1%).

On 3rd April, S&P Ratings Services cut South Africa's international credit rating to BB+, the country's first "junk" rating since 2000, from BBB-minus. The Agency also retained the negative ratings outlook, suggesting that it could revise the country's credit rating lower at year-end should the fiscal parameters deteriorate significantly. In making the decision to revise South Africa's credit rating to "junk status" Standard and Poor's highlighted that the change of leadership at National Treasury "has put policy continuity at risk" and that the fiscal and growth outcomes have become much more uncertain and could suffer because of the recent cabinet reshuffle.

GDP growth in Q1 is estimated at 1.2% as an improving agricultural sector should be more supportive of economic activity, at the same time as higher prices for several of the country's key export commodities will help mining and oil production. GDP growth in Q2 is projected to dip slightly to 1% as elevated policy uncertainty and a poor operating environment act as a continued headwind to investment.

GDP Growth Rate & Forecast – South Africa

Source: Bloomberg

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2.0

THE NIGERIAN ECONOMY

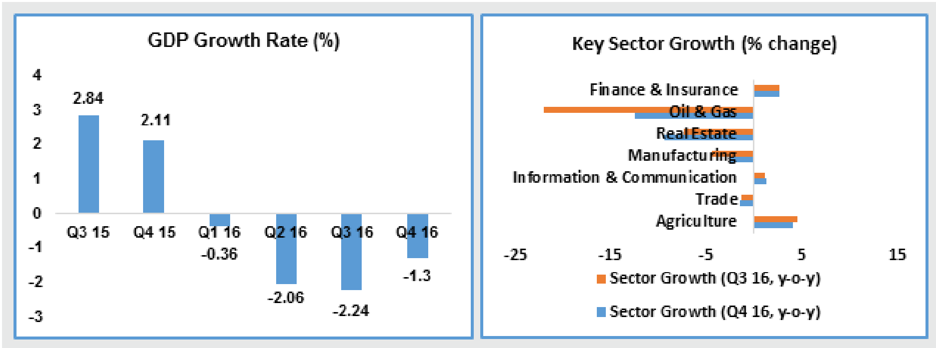
Below is a snapshot of the domestic economy in Q1 2017.

Higher cost of borrowing due to rising yields in the fixed income market	Credit to Private Sector increased slightly	Naira appreciated at the parallel market sharply following introduction of new FX policies
Stock market trended lower	Accretion to foreign reserves	Inflation decelerated
Improving security situation in the North-East region	Benchmark interest rate maintained at 14%	Oil prices ticked slightly lower

2.1 GDP GROWTH

The release of Q4-2016 GDP by the National Bureau of Statistics (NBS) confirmed the full-year contraction of the Nigerian economy, with real GDP down -1.5% year-on-year (y-o-y) in 2016. The GDP outturn was the first full-year contraction since 1991. Fourth-quarter national output shrank by -1.3%, a notable improvement from the previous quarter's sharp -2.24% drop. Output by the oil sector in 2016 contracted -13.85% from a year earlier, and declined -12.4% in the fourth quarter from the same period in 2015. Oil production averaged 1.9 million barrels a day in the fourth quarter compared with 1.6 million barrels a day in the third. The non-oil sector contracted by -0.3% in the fourth quarter, and by -0.2% for all of 2016. A decline in real estate (-9.27 %), manufacturing (-2.54%), construction (-6.03%) and trade (-1.44%) weighed most on the non-oil sector in the fourth quarter.

GDP Growth Rate – Nigeria

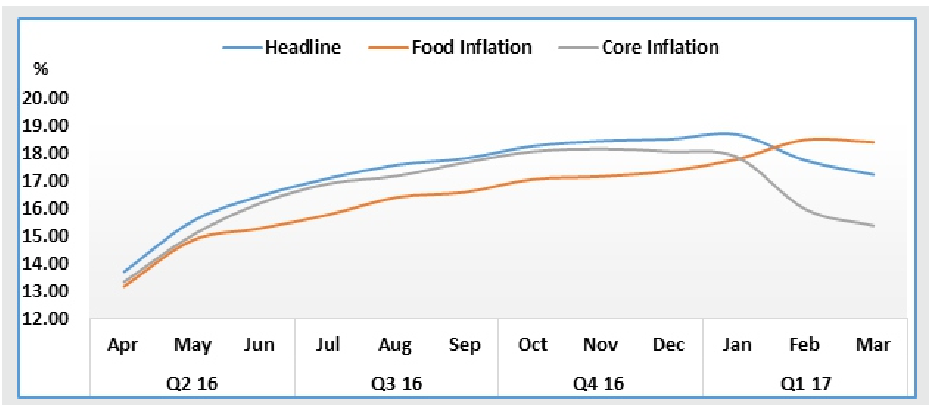


Source: NBS

2.2 INFLATION

The year-on-year headline inflation dropped to 17.26% in March 2017 from 17.78% in February 2017. March's print marked the second time it is falling after a consistent rise in fifteen months prior to February 2017. The NBS attributed the second consecutive month of a decline in the headline rate to "the effects of stabilizing prices in already high food and non-food prices". On a year-on-year basis, food inflation recorded a reduction to 18.44% from 18.53% in the previous month. The highest increases in the food sector were in bread, cereals, milk, meat, potatoes, yams and other tubers as well as cheese and eggs, while the slowest increases were in soft drinks, coffee and tea and cocoa. The "All Items Less Farm Produce" or Core sub-index, which excludes the prices of volatile agricultural produce eased by 15.4% during the month, 0.60% points from 16% recorded in March as all key divisions which contributes to the index increased.

Inflation Year-on-Year



Source: NBS

2.3 MONETARY POLICY

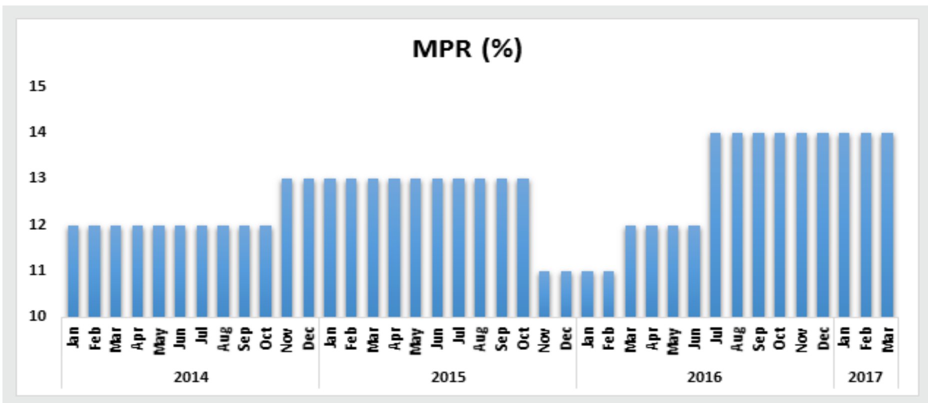
At its 20 – 21 March monetary policy meeting, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) decided to leave the monetary policy rate and all other monetary policy mechanisms unchanged.

This decision comes off the back of the country recording its first drop in its inflation rate in 15 years and first negative growth in 25 years.

The CBN stressed that the problems afflicting the economy such as low fiscal activity, a scarcity of foreign exchange, high energy prices and unpaid salaries can only be resolved by a commitment from the fiscal authorities and not by monetary policy. The Committee considered it would be imprudent to cut the rate, since it would "worsen the inflationary conditions and undermine the current outlook for stability in the foreign exchange market." The MPC also said that such a move would be untimely since it would undermine aggregate demand, reduce existing income levels and stave off investment.

Against this backdrop, the MPC voted unanimously to leave the monetary policy rate unchanged at 14.00% and the liquidity ratio at 30.00%. The Committee also left the asymmetric corridor of plus 200 and minus 500 basis points around the key rate unchanged and the Cash Reserve Requirements at 22.50%.

Inflation Year-on-Year



Source: NBS

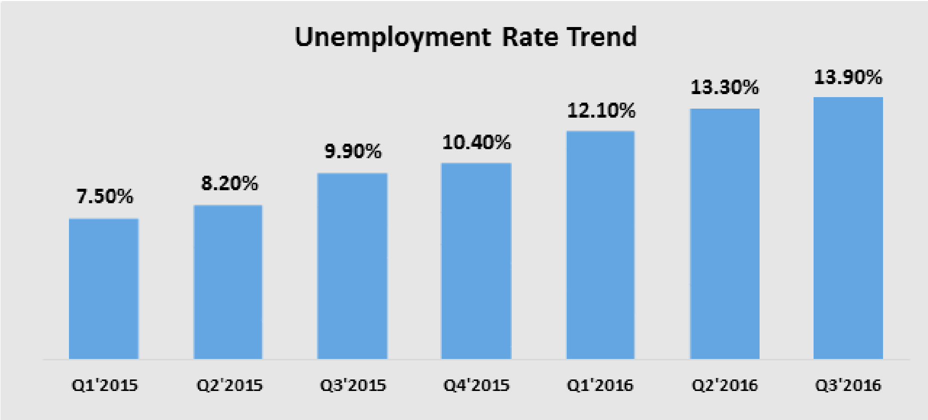
2.4 UNEMPLOYMENT

Nigeria's unemployment situation deteriorated in Q3 2016, with unemployment rate rising to 13.9% from 13.3% as at Q2 2016. This represents the eight consecutive rise in unemployment rate since Q4 2014.

The total number of persons in full time employment decreased by 272,499 or 0.51% when compared to the previous quarter.

The NBS defined an unemployed person as anyone within the working age (15-64 years) who during the reference period was available to work, actively seeking for work but had no work.

Inflation Year-on-Year



Source: NBS

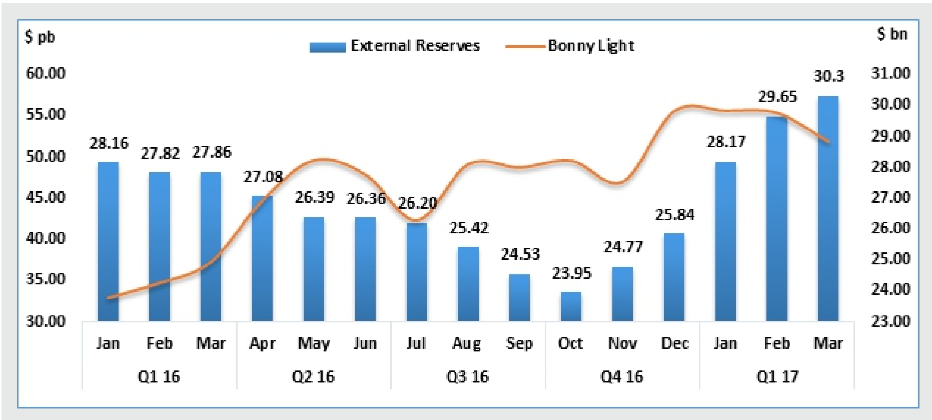
2.5 EXTERNAL RESERVES

There was accretion to the external reserves in Q1 2017, with a slowdown in the rate of growth towards the end of the month of March 2017. The 30-day moving average external reserves increased by 17.2% to $30.30 billion as at end-March 2017, from $25.84 billion at year-start. The growth in the reserves derived majorly from the proceeds of crude oil sales following improved production of oil in the Niger Delta, as well as relatively higher oil prices. Bonny light, Nigeria's reference crude, closed at $51.92 per barrel on March 31st, lower than $55.59 per barrel on January 3rd. Nigeria's average daily crude oil and condensate production has dropped to 1.6 million bpd in March from the two million barrels per day (bpd) it recorded as at February. The Ministry of Petroleum Resources attributed the reduction in crude oil production to planned maintenance going on at Shell Nigeria Exploration and Production Company Limited (SNEPCo) 250,000 bpd capacity Bonga Floating Production Storage and Offloading (FPSO).

The apex bank disclosed in its data on foreign exchange utilisation for February 2017 that it granted access to requests for foreign exchange, valued at $1.71 billion through the inter-bank window.

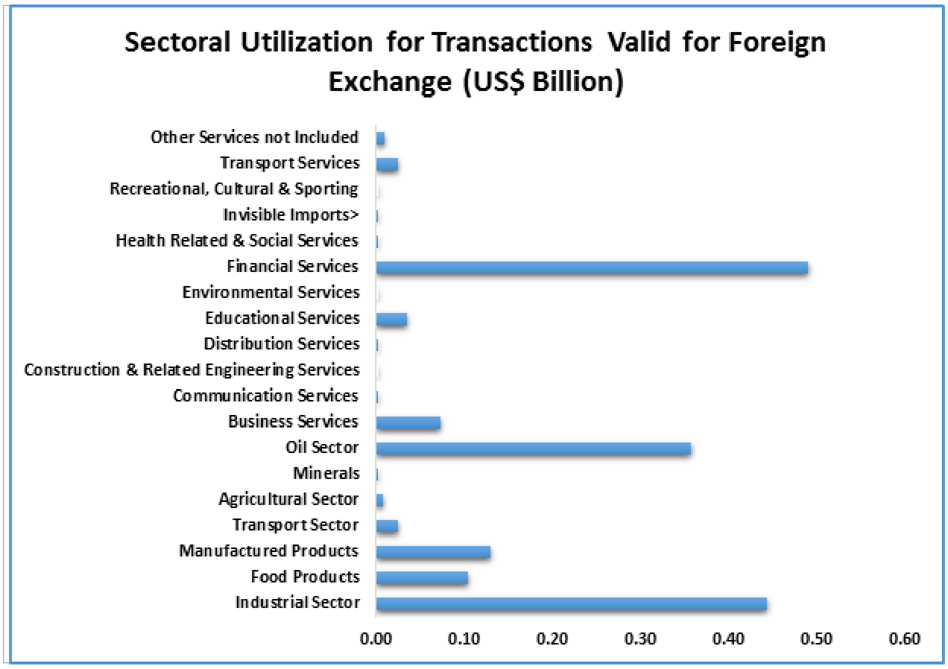
This amount consisted of $1.07 billion and $0.64 billion for visible and invisible trades, representing 62.57% and 37.43%, respectively. A breakdown shows that in February the Financial Services sector got the highest share of $490.89 million, accounting for 28.7% of the total forex allocation for the month. The Industrial and the Oil sectors received $444.46 and $358.01 million or 25.99% and 20.93% respectively, while manufactured products received $129.44 million or 7.57%.

External Reserves and Crude Oil Price (Bonny Light)



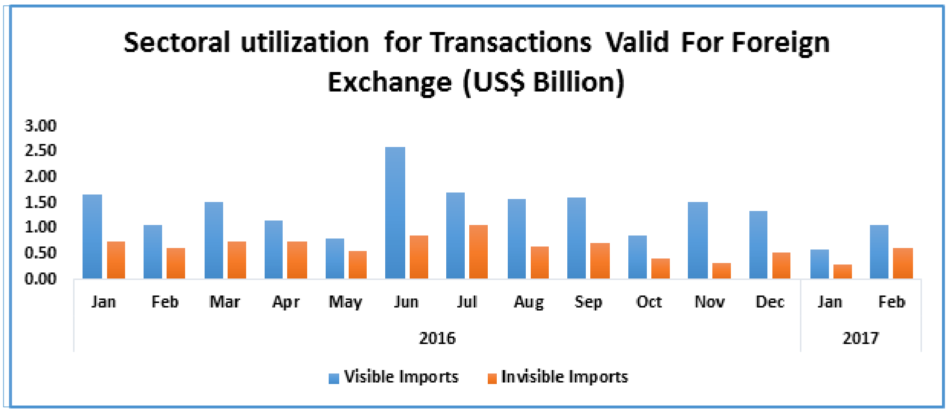
Source: CBN

Sectoral FX Utilisation (US$ Million)*



*As at February 2017

FX Utilisation (US$ Million)



Source: CBN

2.6 EXTERNAL TRADE

Nigeria's total value of external merchandise trade rose to N5.29 trillion in Q4 2016 compared to N4.78 trillion in the previous quarter. According to the NBS, this is the first quarterly positive trade balance to be recorded since the fourth quarter of 2015.

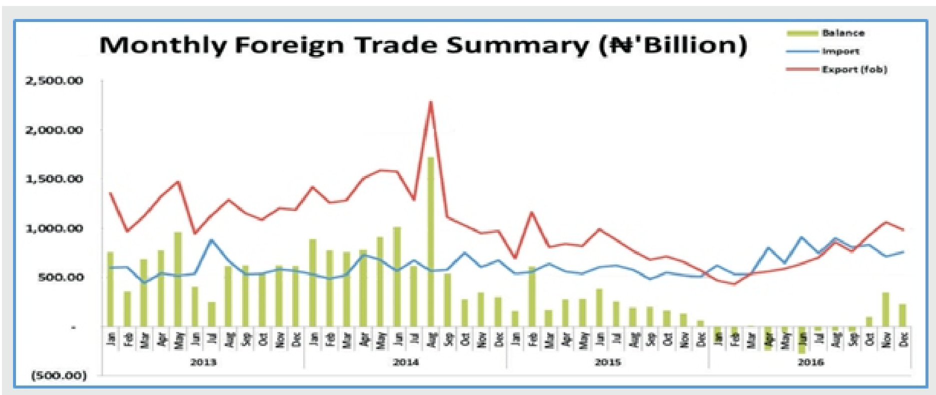
Total export was valued at N2.98 trillion compared to N2.43 trillion in the previous quarter. Total import, however, fell to N2.31 trillion in Q4, representing a 6.1% decrease from N2.46 trillion in Q3. Crude oil exports totalled N2.43 trillion while the non-crude oil exports accounted for N553.57 billion as well as non-oil exports, which recorded N129.55 billion in Q4.

According to the NBS, the much faster rise in the value of exports relative to the rise in imports brought the country's trade balance to N671.3 billion during the review period, showing a stark improvement from the negative trade balance of -N136.0 billion recorded in the preceding quarter.

For the full year, however, total trade stood at N17.34 trillion or 6.47% more than the N16.30 trillion recorded in 2015 and N23.67 trillion in 2014. Total exports for 2016 stood at N8.53 trillion compared to N9.59 trillion in 2015 while total imports stood at N8.82 trillion compared to N6.69 trillion in 2015.

As a result, the country recorded a negative trade balance of -N290.13 billion in 2016 compared to trade surplus of N2.895 trillion in 2015 and surplus of N8.92 trillion in 2014. In 2016, crude oil exports accounted for N6.99 trillion while the non-crude oil exports accounted for N1.53 trillion as well as non-oil exports of N344.37 billion.

Foreign Trade Summary

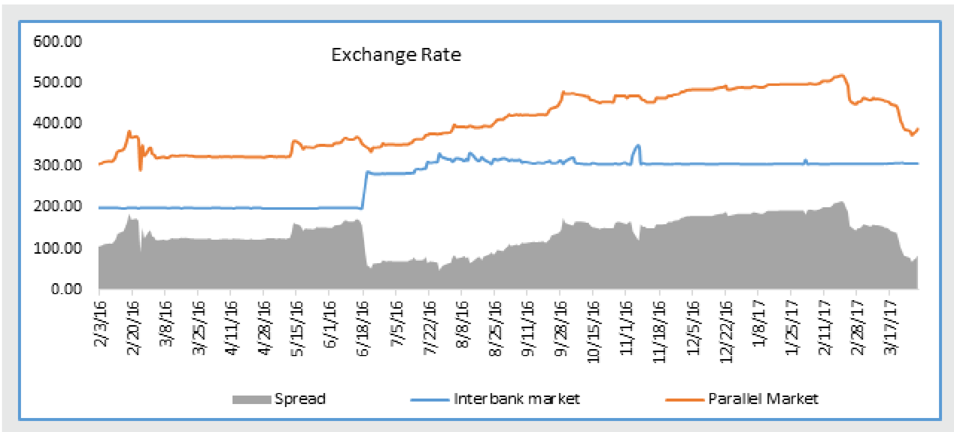


Source: CBN & NBS

2.7 EXCHANGE RATE

The naira strengthened in the parallel market to settle at N390/$ on March 31st from a low of N520/$ recorded in mid-February. The naira's strength in the parallel market can be attributed to recent adjustments by the CBN to its forex policy. The Central Bank of Nigeria (CBN) on March 27th, directed banks to sell dollars for invisible transactions such as personal travel allowance, business travel allowance, school fees and others at N360 per dollar, a reduction from the earlier prescribed reference rate of N375 per dollar introduced on February 20th. Additionally the apex bank directed all licensed Bureau de Change (BDCs) operators to sell to end-users at N362/$. The central bank also cut down the tenor of its forward sales from the current maximum cycle of 180 days to not more than 30 days from the date of transaction. At the interbank market, the local unit remained fairly stable, quoted at N306/$ on March 31st compared to N305.5/$ in January.

Foreign Exchange Rate: Interbank and Parallel



Source: CBN & FMDA

2.8 STOCK MARKET

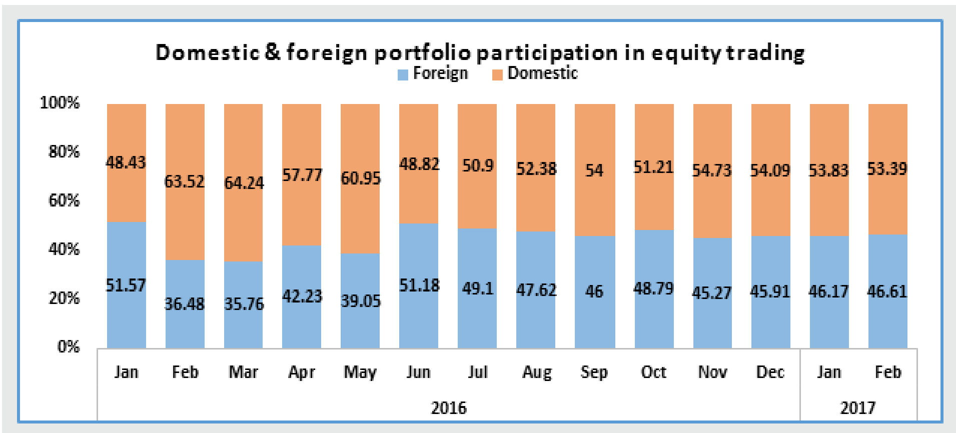
The Nigerian Stock Exchange (NSE) All Share Index (ASI), which is the benchmark gauge for the equities market performance ended Q1 2016 with a decline of 5.1%. Similarly, market capitalisation dropped 3.6% to N8.828 trillion at the close of Q1'17 trading on 31st March, 2017, from N9.158 trillion it opened at the first trading day of January this year. Month-on-month however, the Nigerian bourse recorded a 0.74% gain to close the month of March relative to February.

Nine sectoral indexes ended Q1 2017 in the negative territory, with the consumer goods index leading with decline of-12.9%, NSE Lotus Islamic Index, -7.6% and NSE Oil and Gas Index, -6.7%, making the top three worst performing sectors. Only two indexes closed northward, and they are the NSE Industrial index and the NSE ASeM Index, which appreciated marginally by 0.1% and 0.44% respectively.

The lackluster market performance was largely affected by factors such as investors' drift to fixed income securities, exit of foreign investors due to foreign exchange (forex) challenges and poor corporate results engendered by difficult operating environment.

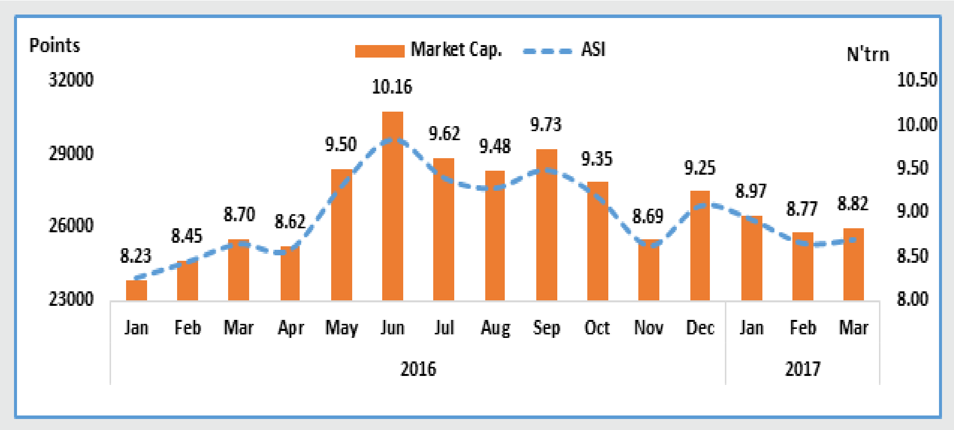
At the end of February 2017, domestic investors dominated transactions, staking 53.39% of the total value invested while foreign investors invested 46.61%. The pattern was similar in January with the share of investment split at 53.83% to 46.17% for domestic and foreign investors respectively.

Foreign Exchange Rate: Interbank and Parallel



Source: CBN & FMDA

Nigerian Stock Exchange and Market Capitalization

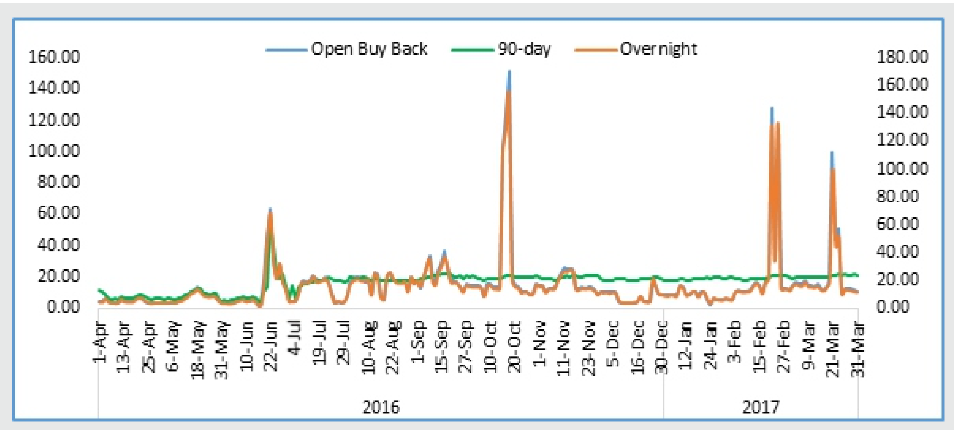


Source: NSE

2.9 NIBOR

Overnight (ON) and Open Buy Back (OBB) interbank rates settled at 11.42% and 10.67% in that order on March 31st from a peak of 132% and 128.33% respectively reached on February 21. The higher interbank money market rates recorded in February came as commercial lenders provided funds for several currency sales via interventions from the Central Bank. Longer-dated instruments such as the 90-day NIBOR however reflected a far less volatile course, closing at 20.93% on March 31st from 18.56% at the beginning of the year.

Interbank Lending Rates



Source: FMDA

2.10 SOCIO-POLITICAL LANDSCAPE

The socio-political scene witnessed several developments. Among others;

The Nigerian Senate on March 15th again declined to confirm Ibrahim Magu as the substantive chairman of the Economic and Financial Crime Commission (EFCC), citing a letter by the Department of State Services (DSS) as reason for the decision. The Senate also said Magu should cease to act as the chairman of the anti-graft commission and a replacement should be sent by the president for confirmation. The Senate had on December 15, 2016,

On March 30th, the senate amended the Electoral Act of 2010 to legalise the use of smart card readers for the authentication of accredited voters as was done in the 2015 general election. The amendment to the Act would also pave the way for electronic voting in future elections. The senate also empowered the presiding officer at polling units to, in addition to the smart card reader, use any other technological device that may be prescribed by the Independent National Electoral Commission (INEC) from time to time for the accreditation of voters to verify, confirm or authenticate the genuineness or otherwise of voters' card, declined to confirm him based on a DSS status report which discredited his capability to carry out his duties creditably.

Following the introduction of the "Whistle-Blower" Scheme, the EFCC in February finance also promises whistle-blowers that "confidentiality will be maintained to the fullest extent possible within the limitations of the law."

In March, Nigeria sent a high-level delegation to South Africa to probe reasons behind xenophobic attacks and to look for solutions. Recent attacks saw homes of migrants, especially Nigerians, burned down and shops looted amid accusations of involvement in crime and taking of local jobs. The delegation, consisting of Foreign Minister Geoffrey Onyeama and Interior Minister Abdulrahman Bello Dambazau held talks with their counterparts from South Africa, International Relations Minister Maite Nkoana-Mashabane and Home Affairs Minister Malusi Gigaba.

2.11 FINANCIAL SECTOR DEVELOPMENTS

A number of developments and policy pronouncements dominated headlines in Q1 2017. Most notable are the following:

After months of extensive consultations with stakeholders from both the private and public sectors of the economy, the Federal Government on Tuesday 7th March, 2017 finally released the Economic Recovery and Growth Plan which is expected to take the country out of recession. The document which was released by the Ministry of Budget and National Planning contains the economic blueprint of the government for a three year period from 2017 to 2020. The plan envisages that by 2020, Nigeria would have made significant progress towards achieving structural economic change with a more diversified and inclusive economy. Overall, the plan is expected to deliver on five key broad outcomes, which are; a stable macroeconomic environment, agricultural transformation and food security, sufficiency in energy (power and petroleum products), improved transportation infrastructure and industrialization focusing on small and medium scale enterprises.

The CBN in February announced the re-introduction of bank charges on certain categories of cash deposits and withdrawals. This came about three years after the apex bank stopped the charges. In a circular to all Deposit Money Banks, the regulator said the decision to reintroduce the charges was part of the review of the cashless policy. The circular, signed by the Director, Banking and Payments System Department, CBN, stated that the committee decided that the cashless policy should be extended to the remaining 30 states of the federation. It also directed that with effect from April 1, 2017, banks in the states where the cashless policy was already operating, would begin to impose charges on deposits and withdrawals above N500,000.

The Central bank of Nigeria (CBN) has approved a Wholesale Development Finance Institution Licence to the Development Bank of Nigeria (DBN) Plc. The approval was conveyed in a letter addressed to the Managing Director/Chief Executive of Officer of DBN dated March 28, 2017. The letter was signed by the Deputy Governor of the CBN in charge of Financial System Stability. The approval was subject to meeting the minimum capital requirement of N100 billion and the reconstitution of the Board of the Bank and reviewing its organogram.

The DBN is expected to have access to US$1.3bn (N396.5 billion) which has been jointly provided by the World Bank (WB), KfW (German Development Bank), the African Development Bank (AfDB) and the Agence Française de Development (French Development Agency). The Bank is also finalising agreements with the European Investment Bank (EIB).

The Debt Management Office (DMO) on behalf of the Federal Government, introduced a retail savings product called the FGN Savings Bond. In a public notice released on Wednesday 1st March 2017, the DMO stated that the purpose of the Savings Bond is to deepen the national savings culture, diversify funding sources for the Government, provide opportunity to all citizens irrespective of income level to participate in and benefit from the favourable returns available in the Capital Market, as well as contribute to National Development. The Savings Bond shall be issued monthly in tenors of 2 and 3 years, with a quarterly payment of interest rate to be announced by the DMO. Minimum subscription amount has been pegged at N5,000, with additions in multiples of N1000, subject to a maximum of N50,000,000. In the same vein, the DMO released a new market structure for the FGN Securities Market, effective from Monday 6th March, 2017. Most significant in the new structure is the pegging of the subscription rate for FGN Treasury Bills (TBills) at a minimum of N50,001,000.00, which effectively puts TBills out of the reach of retail investors.

Nigeria raised $500 million by issuing a 15-year Eurobond in March with a yield of 7.5%. The money from the new bond, which follows an oversubscribed $1 billion Eurobond issue in February, will help fund infrastructure development work outlined in the 2016. Nigeria's February $1 billion Eurobond issue, set to mature in 2032, priced at 7.875 percent and was almost eight times oversubscribed.
The Senate in January approved the revised version of the 2017-2019 Medium Term Expenditure Framework and Fiscal Strategy Paper. The upper chamber of the National Assembly approved all the critical projections in the MTEF/FSP as proposed by the executive, except the oil benchmark, which was increased from the proposed $42.5 to $44.5. The lawmakers retained the oil output of 2.2 million barrel per day and exchange rate of N305 to a United States dollar.

The Central Bank of Nigeria (CBN) in March directed commercial banks to henceforth process and meet foreign exchange demands for travel allowance PTA/BTA within 24 hours of such application. This was contained in a statement signed by the director, Financial Markets Department of the CBN. Similarly, banks are mandated to process and meet demands for school fees and medical bills within 48 hours of such application. Also, the apex bank directed all deposit money banks to open a teller point for retail FX transactions, including buying and selling, in all locations in order to ensure access to foreign exchange by their customers and other users, without any hindrance. According to the CBN, all banks must have an electronic display board in all their branches; showing rates of all trading currencies, and customers must insist on processing FX transactions based on the displayed rates.

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OUTLOOK FOR Q2 2017

Outlook for Q2 2017 and Beyond

- Monetary Policy Rate (MPR) is likely to trend downward to 12% as the apex bank considers the deceleration in inflation and attempts to support economic recovery.
- Inflation will continue to fall over the coming months as the effects of tariff rises and currency depreciation ease.
- The monetary regulator will likely maintain multiple exchange rates as it continues to monitor the effect of the recent FX policy actions enacted.
- Growth is projected to pick up to positive territory of 0.8% in Q2 2017 driven by the improvement in oil production, stabilisation in oil prices and improved liquidity in the foreign exchange market.
- The equities market is likely to remain subdued as investors shift to local bonds due to attractive yields.
- The accretion to FX reserves is likely to persist in Q2 2017 as oil prices hover around the $50 per barrel mark.
- More initiatives at reducing poverty and creating jobs.

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