ACCESS ECONOMIC QUARTERLY
Q2 2019

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ACCESS ECONOMIC QUARTERLY Q2 2019

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1.0
GLOBAL ECONOMY

GLOBAL ECONOMY

With rising trade barriers, financial stress, and subdued investment risks in advanced economies, the global economy is expected to grow slower than expected at 2.6% in 2019, and mildly rising to 2.7% in 2020, according to the World Bank in its June report.

Growth momentum in emerging and developing economies remain tepid, with high investment risks, currency depreciations, heightened debt and general political uncertainties. Despite the sluggish growth of 4% expected in 2019, the World Bank projects a stable emerging economy in 2020, with a 4.6% growth rate, in hopes that financial stress eases in some of the countries.

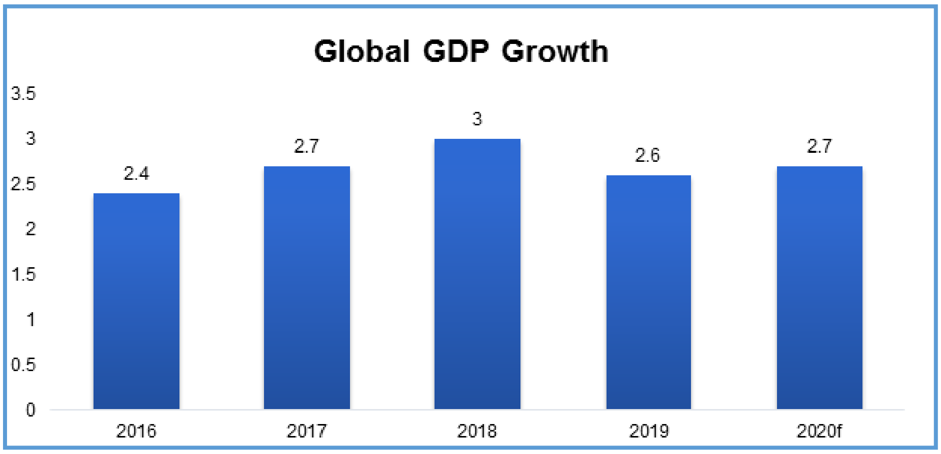
Activities in East Asia and the Pacific region is expected to pick up to 5.9% in 2019 and 2020, from 6.3% in 2018. Amid U.S - China trade war, growth in China is expected to slow to 6.2% in 2019 from 6.6% the previous year.

Pending the outcome of the Brexit saga, fiscal stimulus and consumption is expected to fade, growth in Europe is anticipated to slow, before rebounding modestly to 2.6% in 2020, from 2.45% projected for 2019.

Crude oil prices fell to $62.92 per barrel (pb), its lowest level since January, from $67.23pb as at March-ending due to weakened global oil demand, trade disputes and subdued global economic growth. According to OPEC, world oil demand in 2020 is expected to grow by 1.14mbpd following macroeconomic developments in major oil consuming countries.

Risks to the global projections rest on the outcome of trade negotiations, domestic demand, monetary policies and financial conditions of countries.

GLOBAL GDP GROWTH



Source: World Bank

GLOBAL ECONOMY
UNITED STATES/EURO AREA

1.1 United States

In its third reading, GDP estimate from the US Bureau of Economic Analysis increased at a rate of 3.1% in Q1 2019, slightly above the Q4 2018 estimate of 2.2%. Growth in the Q1 GDP reflect a boost in exports, state and local government spending, accelerations in private inventory investment and a decline in imports. In May, Personal income increased 0.5%, the same increase as in April, with its largest components -Wages and salaries- increasing by 0.2%. A trade deficit in of $55.5 billion was recorded in May, with the largest deficit of $30.1 billion stemming from China.

Raising expectations of interest rates cuts, US inflation fell to 1.8% in May 2019 from a five-month high in April. While food index rose 0.3%, core inflation which excludes food and energy slowed to 2.0%. In light of softer global economic and financial pressures, the US Federal reserves has opted to be "patient" in regard to adjustments of its rate, holding the rate within the target range of 2.25%-2.5%. The policymakers however signalled possible rate cuts.

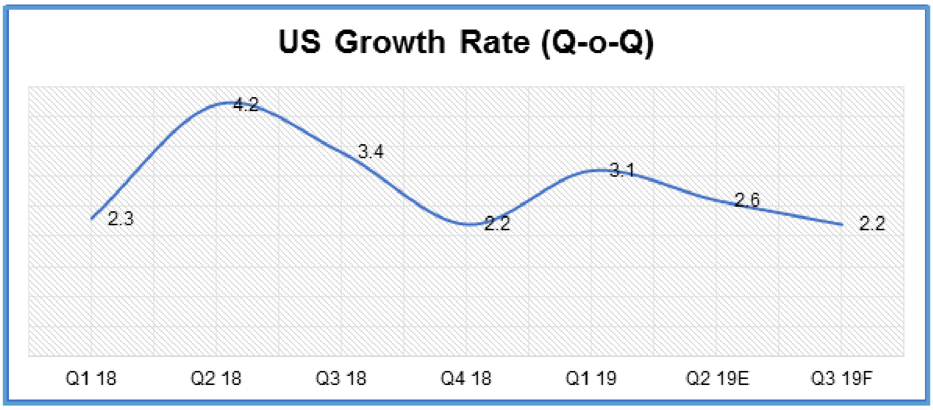
Unemployment rate was a little changed at 3.7% in Q2'19, compared to the 3.8% decline in the previous quarter. The number of unemployed persons fell to 6.0 million from 6.3 million. The decline recorded reflects notable job gains in health care, transportation, and in professional and business services.

Just below the rate of 1.8% observed in May, the US annual inflation rate in June fell to 1.6%, as food prices rose at a softer pace. On the other hand, energy prices plunged 3.5% following a 0.5% fall in the previous month.

Following a rise in new businesses in June, US manufacturing PMI rose to 50.6. The rise is however modest and the slowest seen over the past years.

After a lengthy hiatus, trade talks between China and the US are set to relaunch after a tentative truce was reached days before the G20 Summit of 2019. Although outcomes of the talks are uncertain, the US would hold off on further tariff increases pending the trade agreement. Overall, the U.S economy is expected to ease to 2.5% in 2019, and to decline to 1.7% by 2020.

GDP Growth Rate & Forecast – United States of America



Source: Bloomberg

1.2 Euro Area

From a weaker trend in the Area in H2 2018, GDP expanded 0.4% in Q1'19 from 0.2% in Q4 2018. The modest increase seen largely reflects temporary increases in private consumption, net trade and fixed investment spending. Specifically, increased demand for imports in the UK, benefitted the exports growth of other countries in the area. In addition, car Industry output in Germany rebounded as private consumption rose.

On another note, trade in the Euro area has remained weak with a surplus of EUR 15.7 billion in April of 2019 from EUR 17.1 billion in the same month of the previous year. Owing to weaker annual inflation rates in more volatile categories (food and energy), headline inflation stood at 0.8% in May, down from 1.3 % in April and 0.8% in March. Despite this decline, inflation is expected to increase, supported by current economic expansion, increases in wages and the European Central Bank's (ECB) monetary policies.

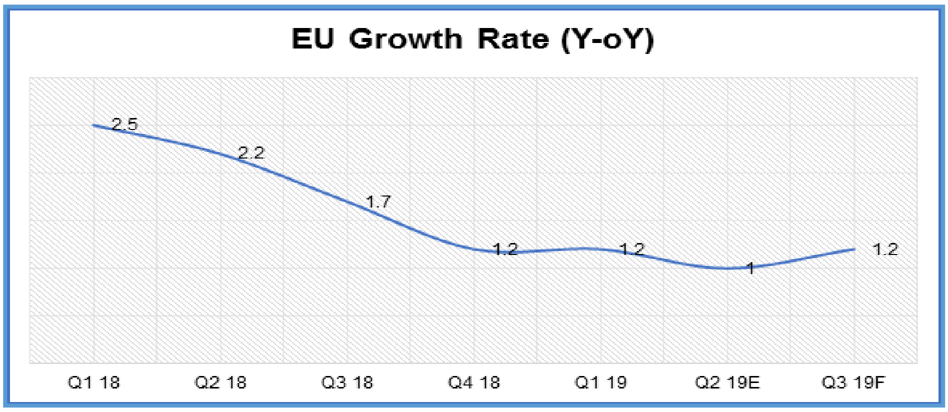
Labour markets remained resilient as unemployment levels were down to 7.6% in April from 7.7% in March, while productivity remained unchanged. The improvements in the labour markets strengthened the growth in private consumption.

Owing to the strong headwinds in the global economy, and geopolitical and political uncertainties, the ECB at its June 6th left its benchmark interest rate unchanged at 0% and is expected to remain so through the first half of 2020. This is to ensure inflation rates are, over the medium term, sustained below but close to 2%.

GLOBAL ECONOMY
UNITED STATES/EURO AREA (Euro Area)

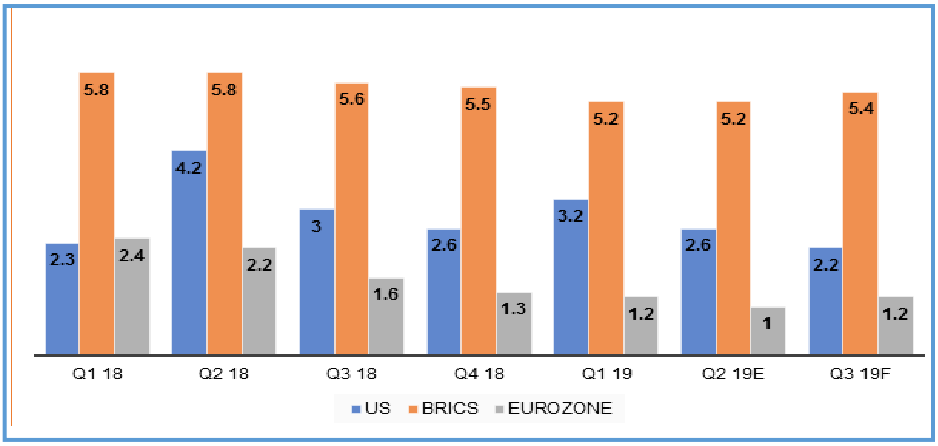
The Eurozone's growth is subject to several uncertainties related but not limited to global trade policies like the US-China trade policy, as well as the outcome of Brexit on EU-UK relationship. As economic activities in the Euro area gathers momentum, the Euro system projects a 1.2% increase in annual GDP in 2019, and 1.4% in 2020.

GDP Growth Rate & Forecast – Eurozone



Source: Bloomberg

GDP Growth Rate & Forecast – U.S.A., Eurozone, and BRICS



Source: Bloomberg

1.3 Brics

BRICS economies are seen slowing in the second quarter of the year. A review of the Brazilian economy revealed broad based weakness with uncertainty at home and abroad strangling fixed investment. Likewise, the Russian Q2 2019 GDP estimate revealed that the economy ran out of steam amid a broad-based deceleration. India showed slower growth in Q1 2019 amid greater political uncertainty. The Chinese economy slowed in the second quarter of the year amid trade tensions with the US. Rolling blackouts in South Africa had the economy reeling at the outset of the year.

Brazil

Slowing from a 0.1% expansion in Q4'18, the Brazilian economy shrank 0.2% in the first quarter of 2019. Central Bank of Brazil's estimate of 2019 growth forecast is 0.8% lower than the previous estimate of 2.0% in March 2019. The revised estimate is supported by the lower than expected performance of the economy in the first quarter of the year.

Reports showed a moderate decrease in unemployment levels to 12.3% in the three months to May 2019, from 12.4% in the December-February period. This represents an increase in the number of unemployed to 64 million from 90 million in the same period of 2018.

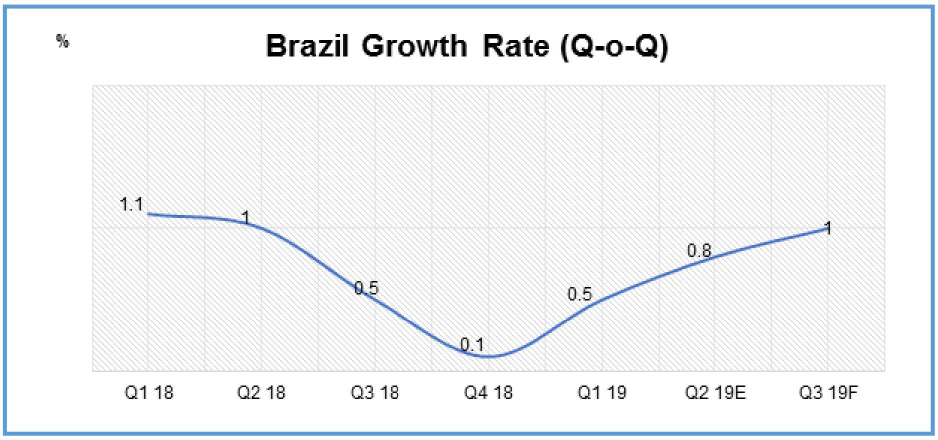
The Central Bank of Brazil's Monetary Policy Committee (Comité de Política Monetária, COPOM) in its 223rd meeting retained its benchmark rate at 6.5%. The Bank's decision to hold the rate is based on the slowdown in economic activities over the past quarters, a less than favourable global outlook and its need to converge inflation to its target level.

Annual inflation rate in Brazil fell to 3.37% in June from 4.66% in May 2019. It is the lowest inflation rate since May 2018. The decline is due to a slowdown in the cost of food and non-alcoholic beverages, housing and transport.

Brazil's trade surplus narrowed to $5.02bn in June 2019, following a 10.3% y-0-y decline in exports and a 9.1% fall in imports. The decrease in trade surplus was below market expectations of a $5.3bn surplus. While the major determinants of the decline in exports were lower sales of manufactured goods and sales of semi-manufactured goods, imports decreased due to lower consumption purchases.

The Brazilian government is set to downgrade its 2019 forecast for the economy between 0.8%-1.2%, following pressure on government revenues and budget due to slow growth.

GDP Growth Rate & Forecast – Brazil



Source: Bloomberg

Russia

In the first quarter of 2019, Russia's GDP grew by 0.5%, notably below a 2.7% growth in Q4'18. Major infrastructure construction projects related to the world cup, trade tensions, and sharp decline in oil prices, all contribute to the slowdown witnessed in the economy. The World Bank forecasts a growth rate of 1.2 percent in 2019 and 1.8 percent in 2020 and 2021.

Showing a modest decline from 4.7 percent in April 2019, Russia's unemployment rate in May stood at 4.5 percent, with the number of unemployed declining 3.4 million. On the other hand, real income in Q1'19 was negative at (-2.3%), compared to Q1'18.

Taking cognizance of inflation and slow growth dynamics, the Central Bank of Russia (CBR) on its June 14th meeting cut the policy rate by 25bp to 7.5 percent. It gave indications of a further slash in the policy rate until mid-2020, depending on external risks and reaction of financial markets.

In June, consumer price inflation fell to 4.7% from 5.1% in May, further narrowing the Central Bank's target of 4%. This was the lowest inflation rate since December, with lower costs of food and non-food products and services. Based on the latest development, the CBR lowered its inflation expectation for the year end to 4.2-4.7% from 4.7-5.2%.

GDP Growth Rate & Forecast – Russia

Source: Bloomberg

India

Growth in India, in the Q1 2019 stood at 5.8%, from 6.6% observed in Q4'18. This is as a result of gloomier economic developments ranging from decline in exports, crude oil price crash, as well as weaker consumer demand and fixed investment seen around the country. This is the weakest growth rate observed since the Q1 2014.

On the supply side, manufacturing gained momentum in May, supported by consumer goods. HIS Markit India Manufacturing PMI fell to 52.1 from a three month-high of 52.7 in May, as exports and employment output fell.

In its seventeenth meeting in June, the Reserve Bank of India, on the basis of its macroeconomy reduced its policy repo rate to 5.75% from 6.0% to juice the economy. In addition to this, the Monetary Policy Committee (MPC) has unanimously decided to change the monetary policy stance from neutral to accommodative.

The retail price inflation climbed to 3.18% y-o-y in June, below the RBI's target of 4%, from 3.05% in the previous month. This rate was mainly supported by higher food prices.

In June 2019, India's trade deficit narrowed to $15.28bn from $16.60bn in the same month of the previous year. Growth in imports, particularly purchases of precious stones, were down 9.06%.

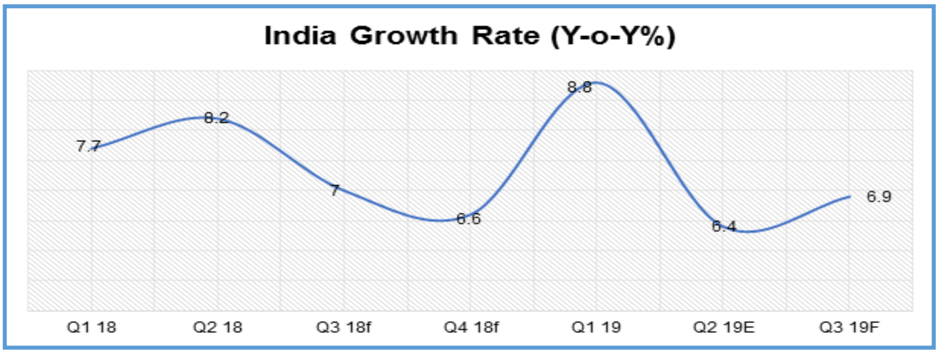
Fitch maintained its sovereign rating for the country at 'BBB-', with a stable medium-term outlook, brought on by strong foreign reserve buffers against high public debt, a weak financial sector and some lagging structural factors. The uncertainty of the new government's medium-term fiscal policy continues to constrain India's sovereign ratings.

Citing weaker global activities, the IMF revised its 2019-20 GDP forecast downwards by 20 basis points to 7.3 percent. Trade wars resulting in weak demand could further worsen India's deficit by slowing exports and investment activity. Political stability, buoyant stock market conditions and higher financial flows to the commercial sector augur hope to the country's economy.

Fitch retained its sovereign rating for India at 'BBB-', with a stable medium-term outlook, brought on by strong foreign reserve buffers against high public debt, a weak financial sector and some lagging structural factors. The rating also stems from the potential policy uncertainties that might arise after the nation's 2019 general elections. This is the 13th consecutive time Fitch has given the same rating despite government making a strong pitch to Fitch Ratings for an upgrade after rival Moody's Investors Service in November 2017 gave the country its first sovereign rating upgrade since 2004.

Trade, policy, and inflation uncertainties are bound to set in following the country's 2019 general elections. Overall, India's economy is expected to grow by 6.5% and 6.8% in Q1 and Q2 respectively.

GDP Growth Rate & Forecast – India



Source: Bloomberg

China

The Chinese economy accelerated by 6.2% year-on-year in Q2 2019, lower than 6.4% in Q1 2019. The growth was supported by industrial output growth and a strengthened consumer demand amid the government's pro-growth policies which helped in stabilizing sentiments rattled by trade dispute with the United States.

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In an attempt to ensure financial stability and prevent systemic risks to the economy, the People's Bank of China (PBOC) decided to maintain a stable yuan as well as a prudent monetary policy. Hence, the benchmark interest rate was left unchanged at 4.35%.

The trade surplus widened to $50.98 billion in June from $40.91 billion in the same month of the previous year. This was the largest trade surplus since December 2018. Exports slumped 1.3% year-on-year to $212.84 billion within the period, and imports shrank by 7.3%. The latest outbound shipments figure reflected weakening global demand amid Chinese and US negotiating teams.

Consumer price inflation rose to 2.7% in June 2019 same as the previous month. Food inflation rose to its highest since January 2012, as pork prices were persistently high following an outbreak of African swine fever.

China's growth outlook for 2019 is projected at 6.3% as the IMF opines that the US-China trade war will have less impact on the Chinese economy.

GDP Growth Rate & Forecast – China

Source: Bloomberg.

South Africa

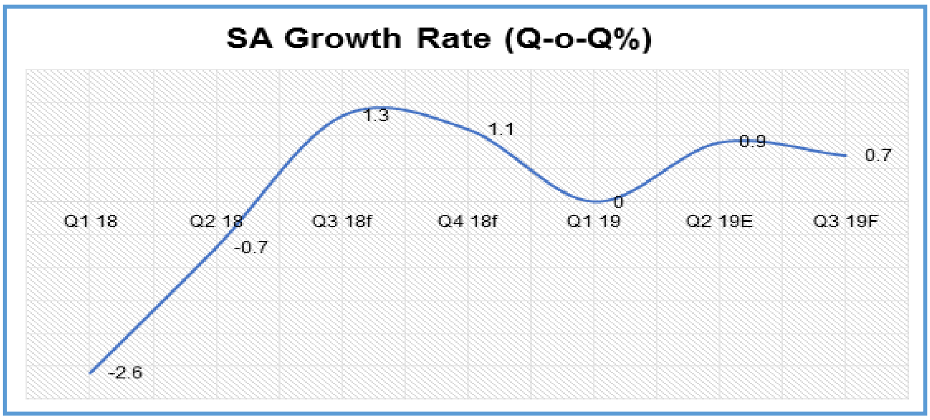
The South African economy showed no growth in Q1 2019 after expanding by 1.1% in the prior period. Slower rises were observed in manufacturing, finance and government services. Sectors such as agriculture, mining and trade posted contractions.

Inflation rate in South Africa edged up to 4.5% in May, up from 4.4% in April. This is around the mid-point of the central bank's target range of 3% to 6%. Main upward pressure came from prices of housing & utilities and food while those of transport slowed.

The South African Reserve Bank left its benchmark repo rate unchanged at 6.75% on May 23rd, 2019. Policymakers said that the stance of monetary policy is broadly accommodative over the forecast period as the medium-term inflation outlook has improved.

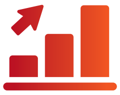
The South African Reserve Bank lowered its 2019 GDP forecast for the country to 1.3% from 1.7%, citing policy and political uncertainty.

GDP Growth Rate & Forecast – South Africa



Source: Bloomberg.

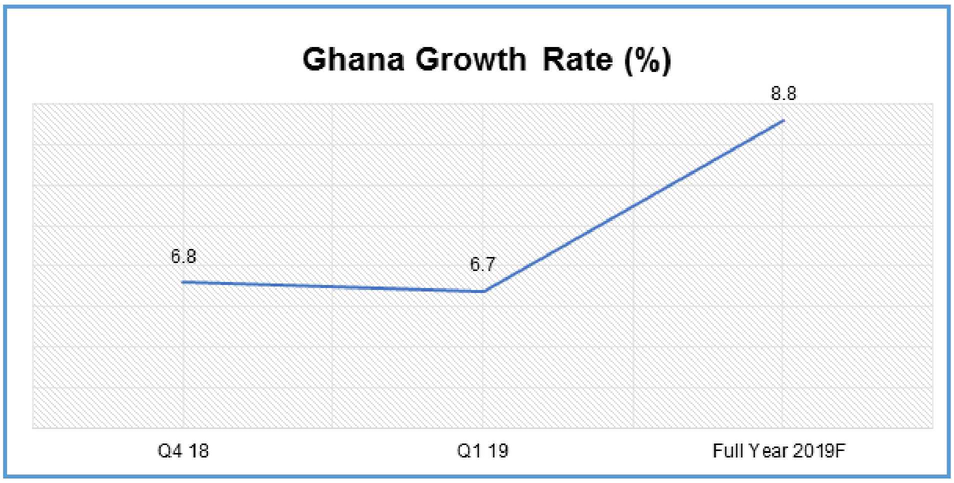
1.4 Africa



Ghana

The Ghanaian economy accelerated by 6.7% year-on-year in Q1 2019, following a 6.8% in Q4 2018. The growth was mainly boosted by services and the industrial sector. Inflation rate dropped to 9.1% in June from 9.4% in May, signalling the lowest inflation rate since January. The Bank of Ghana held the prime lending rate steady at 16% at its May 27th, 2019 meeting. Policymakers stated that the cedi has recovered most of the losses since a surprise rate cut in January led the currency to weaken sharply against the dollar. The Bank added that economic growth remains relatively strong and it is projected to gain steam, supported by oil production. According to the IMF, growth is expected to rise to 8.8% in 2019, making it the fastest growing economy in the world in 2019.

GDP Growth Rate & Forecast – Ghana



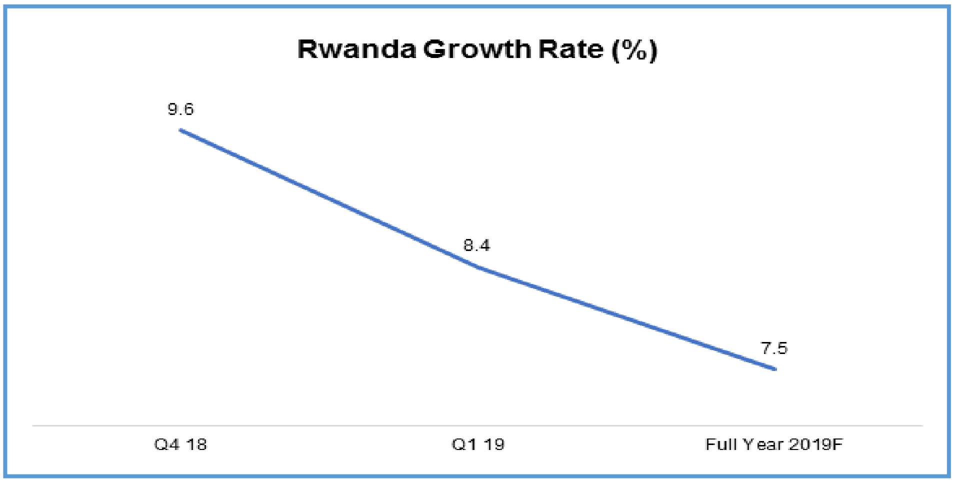
Source: Bloomberg.

Rwanda

The economy of Rwanda advanced by 8.4% year-on-year in Q1 2019, after a 9.6% expansion in the previous period, the reduction in growth in Q1 2019 was because of slower growth in the service sector, information & communication and public administration. Inflation rate rose by 0.9% in June 2019, after a 0.4% rise in the previous month. The economy is projected to grow 7.8% in 2019 (Bloomberg), buoyed by low and stable inflation.

GLOBAL ECONOMY
BRICS

GDP Growth Rate & Forecast –Ghana



Source: Bloomberg.

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2.0
THE NIGERIAN ECONOMY

THE NIGERIAN ECONOMY

The Nigeria economy enjoyed relative stability during the second quarter of 2019. Recent data reveals that major macroeconomic indicators remained stable in the reference period, however, some indicators climbed higher. Inflation jumped to 11.4% in May from 11.37% in April 2019. The inflation rate is expected to continue its upward trend due to the new minimum wage implementation as well as rise in food prices due to some items being out of season. The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) retained the MPR at 13.5% during their May meeting. Oil prices mostly moved in the $60 range during the period, supported by ongoing geopolitical tensions and confirmation by Organization of the Petroleum Exporting Countries (OPEC) that its supply cuts would be sustained throughout 2019. The naira remained stable during the second quarter of the year because of the CBN intervention.

A snapshot of the domestic economy in Q2 2019 is presented below:

The economy recorded growth of 2.01% in Q1 2019, compared to 2.38% in Q4 2018	FX reserves climbed to $45.07bn as of June 28, 2019 from $44.43bn on March 29, 2019.	Credit to Private Sector inched upwards to N24.66 trillion in May from N23.99 trillion in March.
The stock market recorded gains despite volatility	Naira remained stable at the NAFEX window	Inflation printed at 11.40% in May 2019, compared to 11.25% in March 2019.
Sustained positive sentiment in the manufacturing sector, with 57.4 PMI	MPR maintained at 13.5%	Oil prices remained above $60 per barrel in the period despite volatility.

2.1 GDP Growth

Economic output expanded by 2.01% year-on-year (y-o-y) in real terms in Q1 2019 compared to 2.38% in Q4 2018. The expansion was driven by the non-oil sector growth (2.47% y-o-y), which outweighed a fourth consecutive contraction in oil GDP (-2.40% y-o-y). Oil GDP contracted in Q1 2019 amid production disruptions that have persisted since Q2'18. However, compared to the previous quarter, crude oil production improved to 1.96 mbpd, bolstered by production from the Egina oil field that began in January 2019. On the brighter side, the sturdy performance in non-oil GDP largely stemmed from positive outturn across all components, with Services and Agric leading the pack. Services GDP was propelled by a strong performance by its largest subcomponent, Information and Communication (+12.18% y-o-y). Agric sector grew by 3.17% y-o-y due to expansion in crop production, forestry and fishing.

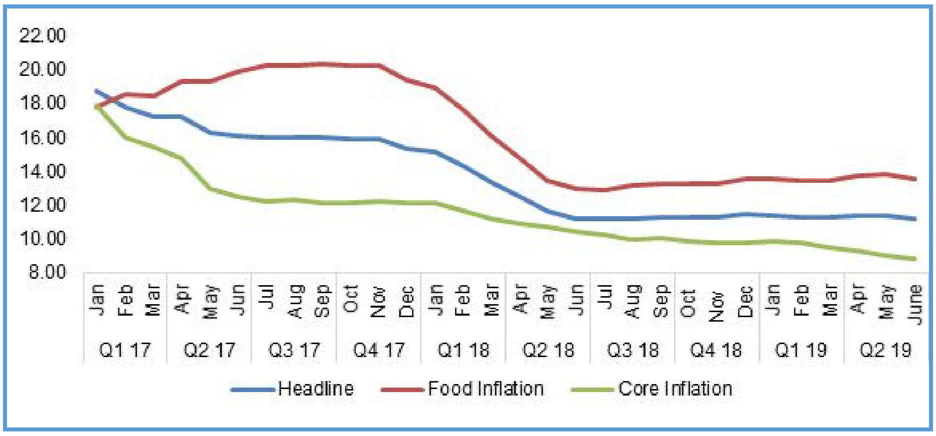
GDP Growth Rate – Nigeria

Source: NBS

2.2 Inflation

Nigeria's headline inflation declined by 0.18 percentage points to 11.22% year-on-year (y-o-y) in June 2019. The composite food index dropped by 13.56% in June 2019, compared to 13.5% in March 2019. The "All items less farm produce" or core inflation, which excludes the prices of volatile agricultural produce stood at 8.8% in June 2019, down by 0.7% when compared with 9.5% recorded in March 2019. At 11.22%, the June 2019 inflation rate is still within the target of the Federal Government of Nigeria which is 12.4%.

Inflation Year-on-Year

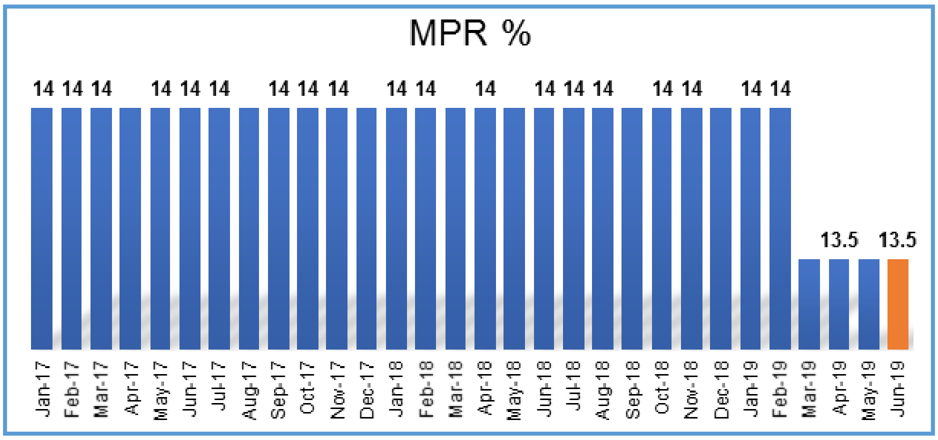


Source: NBS

2.3 Monetary Policy

The Monetary Policy Committee of the CBN voted to retain the interest rate during the second quarter of the year due to the fragility of the economy. The MPR remained unchanged at 13.5% during the May meeting. All other indices were also retained: The liquidity ratio remained at 30% and the cash reserve ratio at 22.5%. Likewise, the asymmetric corridor was maintained at +200 and -500 basis points around the MPR. The Committee welcomed the continued stability at both the Bureau-dechange (BDC) and the Investors' and Exporters' (I&E) windows of the foreign exchange market, expressing optimism in the recovery of crude oil prices due to the OPEC production ceiling and other geo-political issues affecting oil.

Trends in MPR



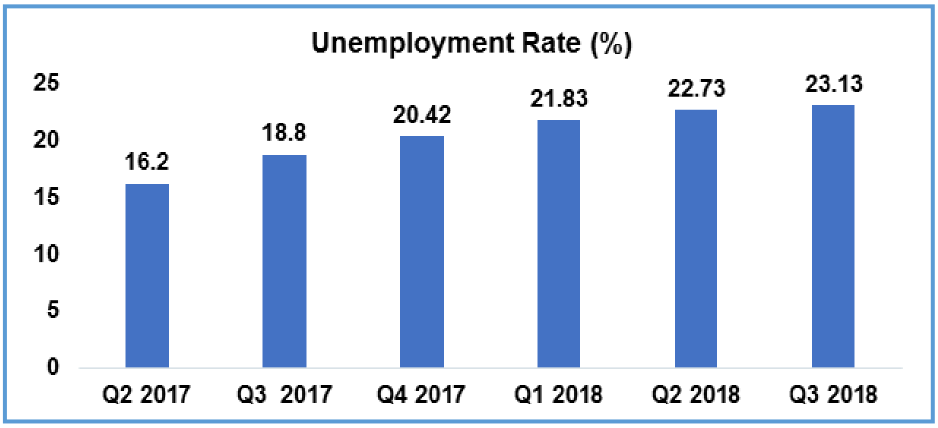
Source: CBN

2.4 Unemployment

The number of unemployed persons in Nigeria slumped to 20.9 million in the Q3 2018 from 17.6 million in Q4 2017, the latest report on unemployment published by the National Bureau of Statistics (NBS) shows. The unemployment rate in Q3 2018 was 23.1%. Total proportion of underemployed and unemployed climbed to 43.4% of the labour force. Rural unemployment rate stood at 23.9%, whilst in urban areas was lower at 21.2%.

The increasing unemployment and underemployment rates could be attributed to Nigeria's fragile and poorly structured economy despite the exit from recession. Growth in the past three quarters have not been strong enough to provide and sustain employment across various sectors of the economy.

Unemployment Rate Trend (%)

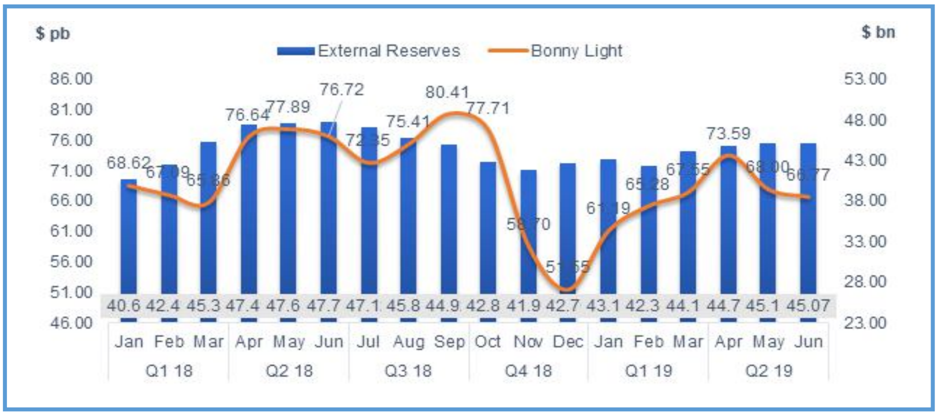


Source: NBS

2.5 External Reserves

External reserves maintained upward trend in June rising to $45.07 billion, as of June 28th, from $44.43 billion in March. This represented an increase of $640 million in Q2 19. Accretion in the nation's foreign currency stock was underpinned by relatively firm oil prices in the quarter. Oil prices have been supported by ongoing geopolitical tensions and confirmation by Organization of the Petroleum Exporting Countries (OPEC) that its supply cuts would be sustained throughout 2019, citing softer global oil demand due to trade tensions. Bonny light- Nigeria benchmark crude settled at $66.77 in June 2019. This was 1.15% lower than the price ($67.55) at the end of the first quarter. Prices mostly moved in the $60 range during the period.

External Reserves and Crude Oil Price (Bonny Light)



Source: NBS

2.6 External Trade

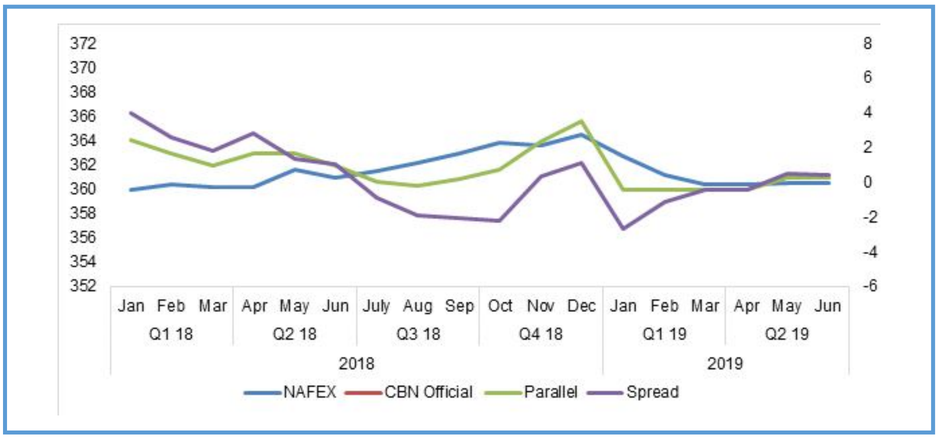
Nigeria recorded a favourable trade balance of N831.6 billion in the first quarter of 2019. The Foreign Trade Report released by the NBS showed that during the reference quarter, Nigeria's total merchandise trade stood at N8.24 trillion, up from N8.04 trillion recorded in the fourth quarter by about N200 billion or 2.5%. Analysis showed that the total export component of this trade was N4.54 trillion, representing an increase of 1.78% over the previous quarter and 3.9% over the corresponding quarter of 2018. The import component stood at N3.70 trillion in the quarter, showing an increase of 3.39% compared to the previous quarter, and an increase of 29.84% when compared with the corresponding quarter in 2018. India topped the list of major export trade partners with about 16.43% contribution to total exports. On the other hand, China, soared as the major import trading partner to Nigeria with a share of 26.4% of total imports, while Netherlands was the least contributor to imports amongst Nigeria's top 5 import partners.

Source: CBN & NBS

2.7 Exchange Rate

Sustained weekly FX interventions by the apex bank across various market segments kept the local unit relatively stable in the quarter. Data from Financial Market Dealers Quote (FMDQ) showed that the exchange rate at the Nigeria Autonomous Foreign Exchange (NAFEX) window, settled at N360.56/$ on June 28th compared to N360.47/$ at the end of March, translating to a gain of N0.09 or 0.01%. Meanwhile, at the parallel market, the exchange rate depreciated by N1 over the same period to close at N361/$.

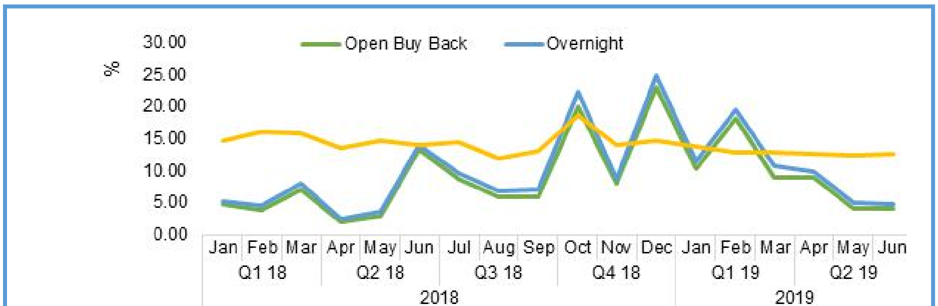
Foreign Exchange Rate: CBN Official, I&E and Parallel



Source: CBN & FMDQ

2.8 Money Market

Money market rates responded largely to financial system liquidity dynamics which have been relatively robust from statutory allocations and coupon payment on matured bonds. Consequently, average open buy back (OBB) and overnight (ON) rates trended lower, settling at 4% and 4.64% respectively as of June 28th relative to 8.86% and 10.7% in that order at the end of March. Longer-tenured rates like the average 90-day NIBOR also closed lower by 0.29 per cent points over the same period, at 12.62%.



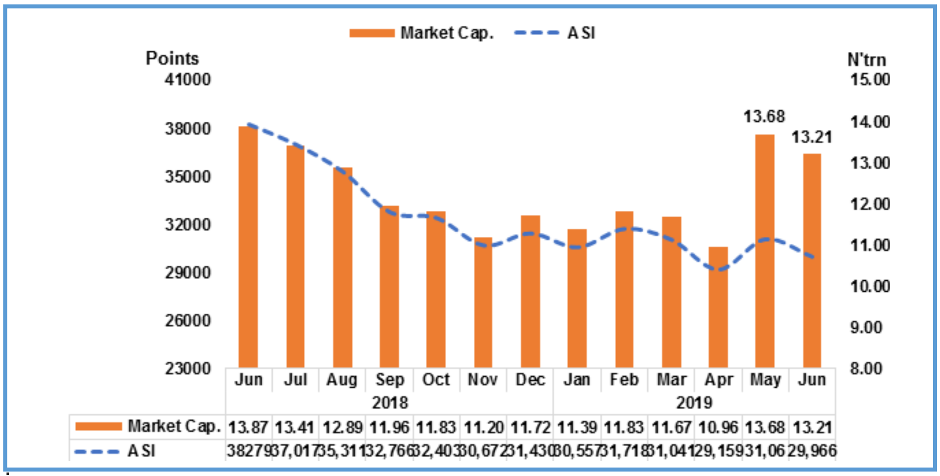
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
	Q1 18			Q2 18			Q3 18			Q4 18			Q1 19			Q2 19		
	2018												2019					
Open Buy Back	4.83	3.75	7.17	1.92	2.83	13.2	8.58	6.00	6.00	20.0	8.03	22.9	10.3	18.1	8.86	8.96	4.14	4
Overnight	5.25	4.50	8.08	2.42	3.67	14.1	9.58	6.83	7.17	22.3	8.78	24.9	11.4	19.6	10.7	9.82	4.93	4.64
90-day	14.7	15.9	15.9	13.5	14.7	14.0	14.4	11.9	13.0	18.5	13.8	14.7	13.7	12.8	12.9	12.5	12.3	12.6

Source: FMDQ

2.9 The Stock Market

Following a slowdown in the second quarter, the Nigerian Stock Exchange (NSE) All-Share- Index (ASI) declined by 3.46% to close at 29,966.87 on June 28, 2019 from 31,041.42 points on March 29, 2019. However, market capitalisation gained N1.54 trillion to close at N13.21 trillion June 28, 2019 from N11.67 trillion at the end of March 2019. The mixed reading recorded resulted from MTN listing on the bourse as well as profit taking following the release of listed companies' financial scorecards and some bargain hunting.

Nigerian Stock Exchange All Share Index and Market Capitalization

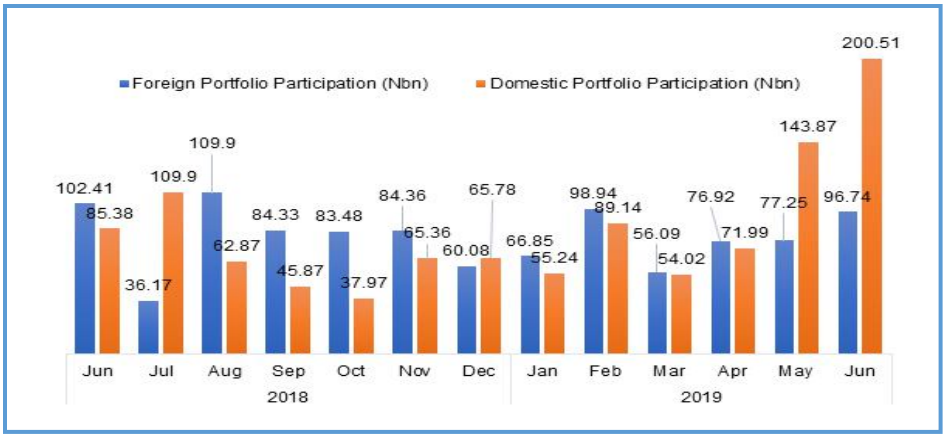


Source: NSE

2.10 Portfolio Investment – NSE

Total transactions at the nation's bourse increased by 34.42% to N297.5 billion in June 2019 from N221.13 billion in the previous month. Foreign investors transactions ascended 25.23% to N96.74 billion from N77.25 billion while foreign investors accounted for 33% of total transactions at the stock market in June. Total domestic transactions increased by 39.36% to N200.51 billion in June 2019 from N143.87 billion in the preceding month. The value of domestic transactions executed by retail investors' outperformed institutional investors by 54%. A comparison of domestic transactions in the current and prior month (May 2019) revealed that retail transactions increased by 228.43% to N155.12 billion in June 2019 from N47.23 billion in May 2019. However, the institutional composition of the domestic market reduced by 53.04% to N45.38 billion from N96.64 billion in May 2019.

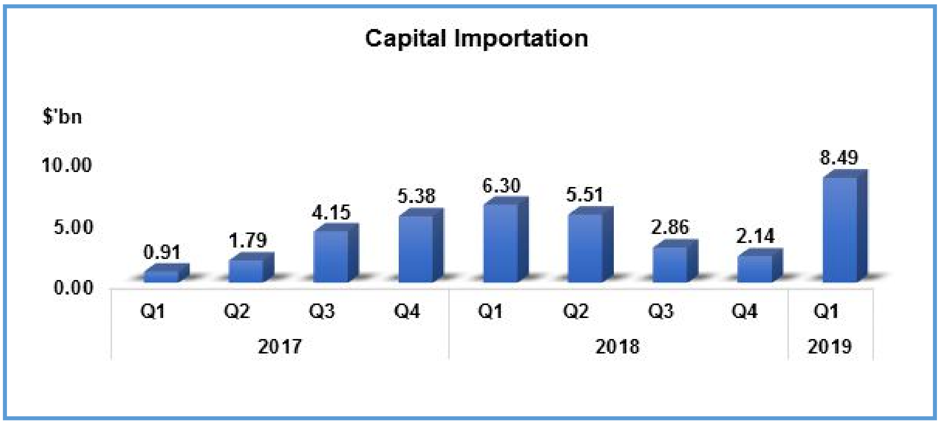
Domestic & Foreign Portfolio Participation in Equity



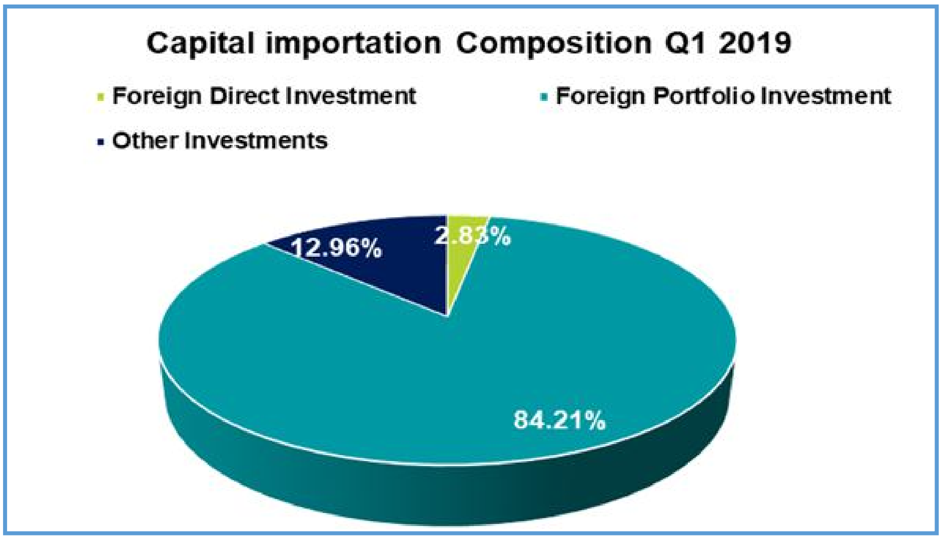
Source: NSE

2.10 Capital Importation

The total value of capital importation into Nigeria stood at $8.49 billion in the first quarter of 2019. This represents a decrease of 296% compared to Q4 2018. The largest amount of capital importation by type was received through Portfolio investment, which accounted for 84.21% ($7.15 billion) of total capital imported. Other investment accounted for 12.96% ($1.10 billion) of total capital imported. Foreign Direct Investment (FDI) accounted for 2.83% ($0.24 billion) of total capital imported in Q1 2019.



Source: NBS



Source: NBS

2.12 Purchasing Managers' Index (PMI)

The Manufacturing PMI closed the second quarter of 2019 at 57.4 index points same as the previous quarter. The index point remained above 50 during the year which is the threshold that separates expansion from contraction. Similarly, the composite PMI for the non-manufacturing sector stood at 58.6 points in the reference period from 58.5 points at the end of the second quarter, indicating a faster expansion in the non-manufacturing PMI in Q2 2019.

	2018												2019					
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Manufacturing	57.3	56.3	56.7	56.9	56.5	57	56.8	57.1	56.2	56.8	57.9	61.1	58.5	57.1	57.4	57.7	57.8	57.4
Non-Manufacturing	58.5	56.1	57.2	57.5	57.3	57.5	57.7	58	56.5	57	58.4	62.3	60.1	58.4	58.5	58.7	58.9	58.6

Source: CBN

2.13 Credit Ratings

Fitch Ratings, a global ratings agency, has retained the outlook on Nigeria's Long-Term Foreign-Currency Issuer Default Rating (IDR) at Stable and affirmed the rating at 'B+'. The revision of the Outlook on Nigeria's Long-Term IDRs reflects the ongoing economic recovery and decreasing external vulnerabilities, both supported by increased oil production and higher global oil prices.

S&P Global, another prominent rating agency retained Nigeria's long-term foreign currency Issuer Default Rating (IDR) at a 'B/B' on Nigeria (stable outlook). The rating on the country are supported by a relatively low general government debt stock. Although, debt servicing costs remain high. And low level of economic wealth, weak external position, real GDP per capita trend growth rates.

2.14 Socio-economic Landscape

The socio-political scene witnessed several developments during the quarter, notably;

In May, two Chinese banks - Export-Import Bank of China and the China Development Bank - committed in loans about $1.902bn into railway and deep seaport projects in Nigeria. The Commercial Consul, Consulate-General of the People's Republic of China made this disclosure during a press briefing on China's second Belt and Road Forum for International Cooperation, held in Beijing between April 25 and 27. According to Junsheng, the Export-Import Bank of China provided $1.267bn dollars of concessional loans for the Lagos-Ibadan section of the Nigerian Railway Modernization Project as well as the extension to Lagos Port Complex at Apapa. He explained that the 'Nigerian Railway Modernization Project Addendum No.2 Lagos-Ibadan section was signed with a contract sum of $1.488bn, and Addendum No.2A for the extension to the Lagos port complex at Apapa with a contract sum of $94.07m, totaling $1.581bn.' He said, "The Export-Import Bank of China provided $1.267bn of the concessional loans accounting for 80.14 per cent of the total contract sum of Addendum No.2 and 2A; and the Nigerian Federal Government provides counterpart funds of $314m, accounting for 19.86 per cent.

Also, in the month of May, the African Development Bank Group (AfDB) approved $200million to boost Nigeria's electrification project, particularly the off-grid expansion being implemented by the Rural Electrification Agency (REA). A source in the Bank said the project is expected to provide electricity to households, medium, small and micro enterprises (MSMEs) and public institutions in a least-cost and timely manner. According to him, the project has four components which include solar, hybrid, mini grids for rural economic development, stand-alone solar systems for homes and enterprises, energizing education as well as technical assistance. The proposed project, he said, will support the Federal Government's aim of increasing electricity access as defined in the national development agenda, adding that to meet the government's targets, the country will have to embrace both on-grid and off-grid expansion. Beneficiaries of the project include households, MSMEs, students, faculty workers and patients at Federal universities and teaching hospitals throughout the country. The AfDB is also supporting some independent power projects (IPPs), which are in the pipeline, but is most concerned with proving finance or guarantee instrument to off-grid power projects.

In May, the Federal Executive Council (FEC) approved road contracts worth N35.944 billion in six states of the federation, bringing to a total of 16 roads the council has approved in recent times. The Minister of Power, Works and Housing, said that the newly-approved roads is in pursuance of the federal government's commitment to developing the country's road network in the six geopolitical zones. The minister said that the beneficiary states in the latest approvals during the last FEC meeting, include Kebbi and Zamfara states where a N3.813 billion contracts was approved for the rehabilitation of BirninYauri-Rijau, Magajiya to Daki-Takwas Road; Akwa Ibom State. N1.1 billion contracts were also approved for the construction of Atan Ikot Okoro Road with Bridge at Essien Udim Local Government Area and Ebonyi State. And N3, 071 billion was approved for the reconstruction of Oso-Owutu Road. He added that for Benue State, a contract of N27.3 billion was approved for the rehabilitation of Makurdi-Naka-Adoka Road Phase 1.

In May, the Senate passed a bill seeking to change Nigeria's Democracy Day from May 29 to June 12. The bill which originated from the House of Representatives, was unanimously adopted by senators during plenary on Thursday. Specifically, the bill seeks to amend the Public Holiday Act 2004 to make June 12 as the new date for Democracy Day to replace May 29, which marks the official handing over from military to civilian administration. The bill is expected to be transmitted to President Muhammadu Buhari for his assent, after clean up by the Legal Services Department of the National Assembly. The President had in June last year directed that the National Democracy Day be shifted from May 29 to June 12. President Buhari gave the directive while conferring a posthumous award on the acclaimed winner of the June 12, 1993, general elections, Moshood Abiola. The June 12, 1993 presidential election is acclaimed to be the freest and fairest in the country's history. However, the results were annulled by the then military dictator, Ibrahim

Babangida.

In June, in line with its agenda of promoting growth in the export industry for increased diversification of foreign exchange revenue, the Central Bank of Nigeria (CBN) unveiled a N200 billion Export Facilitation Initiatives (EFI) targeted at boosting commodity exports in the non-oil sector of the Nigerian economy. Under the initiative, farmers as well as value chain industries that are into cocoa, cashew, palm oil, Shea and sesame seed would be able to get funding with a single interest rate of nine per cent spanning between one year and 10-years tenor. The Bankers' Committee at its 343rd Meeting held on April 4, 2019 had approved the commencement of the Export Facilitation Initiative (EFI) to complement government's efforts to engender growth in the non-oil sector of the economy as well as enhance foreign earnings and employment generation. The commodities are to be funded under the approved guidelines of Agricultural/Small and Medium Enterprises Investment Scheme (AGSMEIS), Non-Oil Export Stimulation Facility (NESF) and Real Sector Support Facility-Differentiated Cash Reserves Requirement (RSSF-DCRR) in line with the approved limits in the Export Facilitation Initiative Funding Framework (EFIFF). Under the EFIFF, small holder farmers operating in clusters along with medium and large sized companies are eligible to apply.

2.15 Financial Sector Developments

In April, the CBN issued a letter to all financial institutions (OFIS) on the creation of corporate e-mails. This was borne out of the increase in cyber-security attacks and threats in recent times. The Bank observed that many OFIs still use web-based e-mails such as Yahoo and Gmail as their official communication channels. Consequently, all OFIs currently using webmail for their official communication are required to create their own corporate e-mails within one month from the date of the circular.

Also, in April, a circular was issued by the CBN to all Non-interest Financial Institutions. The letter contained details on the final guidelines on Islamic Financial Services Board Standards. The guidelines may be viewed on the Bank's website and they include; a) Guidance Notes on Regulatory Capital; b) Guidance Notes on Calculation of Capital Requirement for Credit Risk (Standardized Approach); c) Guidance Notes on Calculation of Capital Requirement for Market Risk (Standardized Approach). The Guidelines communicate minimum supervisory expectations for the implementation of the standards. A period of three months, from July 1, 2019 to September 30, 2019 will be allowed for parallel run during which implementation challenges that may arise would be addressed. Accordingly, NIFIs would be required to submit their capital adequacy returns using both the Capital Adequacy Ratio Reporting template for NIFIs (to be provided) as well as the current conventional Capital Adequacy Ratio returns until October 1, 2019.

In the same month, the apex Bank issued a circular on the exposure draft of the guidelines for licensing and regulation of primary mortgage banks in Nigeria. The guidelines put in place in November 2011 have been reviewed to strengthen primary mortgage banks as well as complement other on-going reforms in the mortgage sub-sector. The guidelines previously introduced enhanced requirements for capital, risk management, internal control and corporate governance.

Also in June, the Central Bank issued a circular on the implementation of the Nigeria Cheque Standard (NCS) and Nigeria Cheque Printers Accreditation Scheme (NICPAS). The Bank ordered that all DMBs must conform to the new Cheque Standard by August 31st, 2019 and all old and new cheques shall commence on September 1st, 2019. This is to increase the efficiency and security of the Nigerian Clearing System.

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3.0

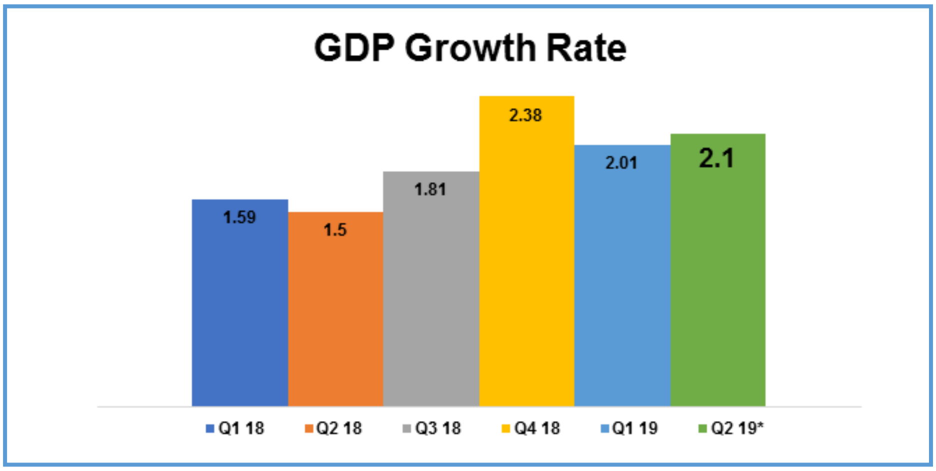
OUTLOOK FOR Q3 2019 AND BEYOND

OUTLOOK FOR Q2 2019

FINANCIAL SECTOR DEVELOPMENTS

3.1 Economy

The expected surge in spending from implementation of the 2019 budget will provide a boost to aggregate demand. This is expected to support a modest expansion in non-oil sector growth. In the oil sector, the conciliatory stance by the government in the Niger Delta has led to improvements in oil production though challenges persist with frequent outages in strategic pipelines. On balance, we expect Q2 2019 GDP growth to come in at 2.1%.

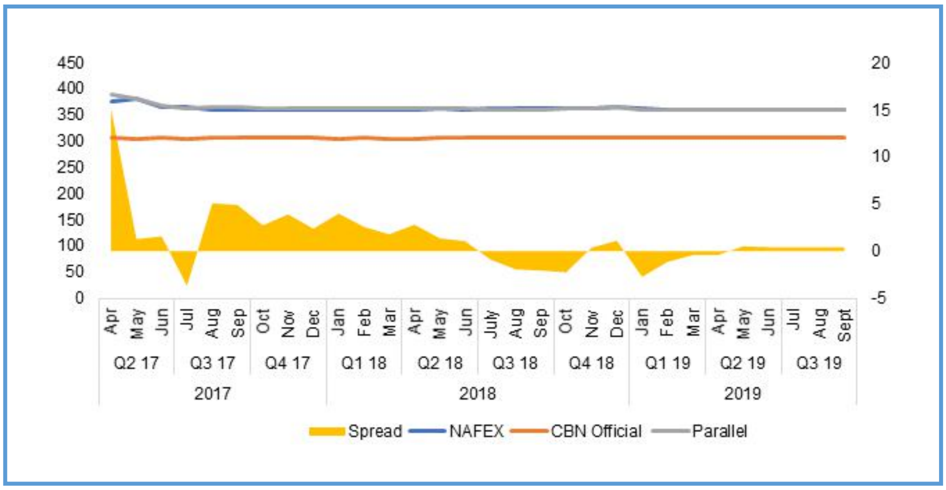


Source: NBS, Economic Intelligence Unit of Access Bank

3.2 Foreign Exchange

CBN is likely to continue its intervention in various FX markets to support liquidity, as the need arises. This position is strengthened by the increase in reserves. Hence, we foresee the NAFEX rate remaining stable in the N360/$ - $365/$ range.

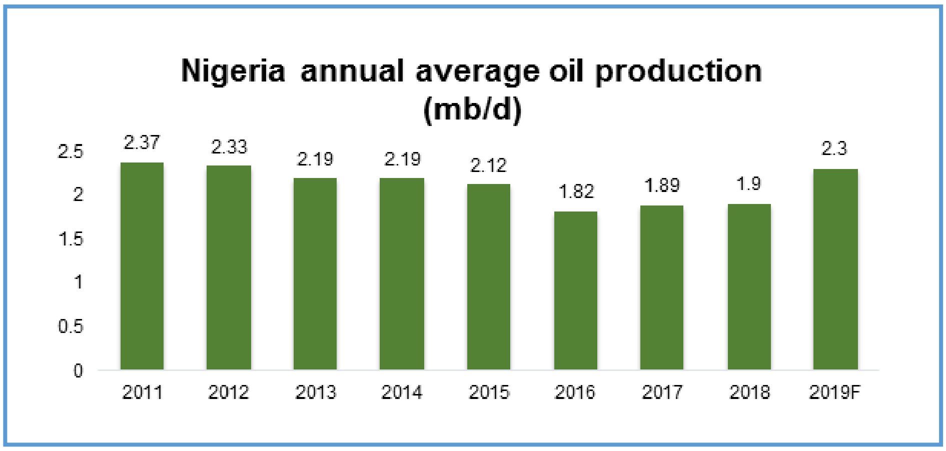
OUTLOOK FOR Q2 2019



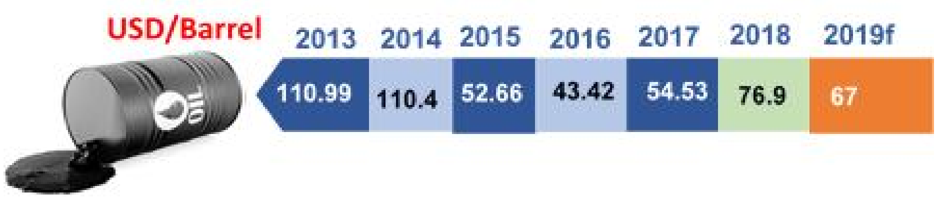
Source: CBN, FMDQ

3.3 Crude Oil

Oil is likely to stay around the $65 - $72 per barrel range supported by recurring geopolitical tensions and confirmation by OPEC that its supply cuts would be sustained throughout 2019, but further gains could be limited as economists and analysts see demand growth slowing due to trade wars and economic weakness.



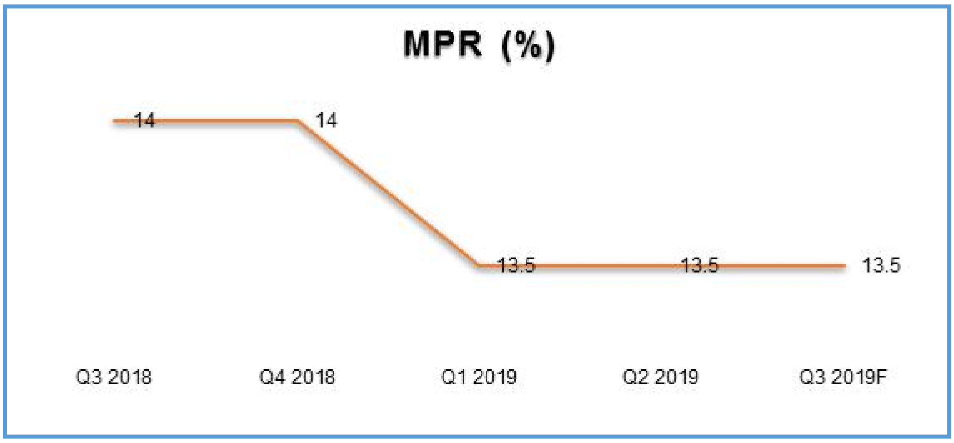
Source: NNPC, NBS, CBN



OUTLOOK FOR Q2 2019

3.4 Monetary Policy

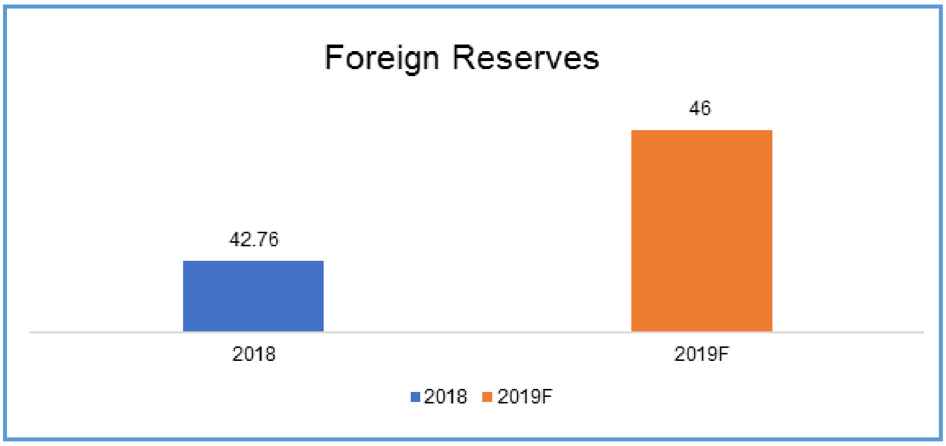
Inflation is set to continue rising over the coming months on the back of increased food price pressures, and higher government spending following presidential assent to the budget. At the same time, however, the authorities will remain keen to support sluggish economic growth and limit currency instability, creating contradictory pressures. Against this backdrop, we expect the authorities to keep the policy rate on hold in Q3 2019.



Source: CBN, EIU

3.5 Foreign Reserves

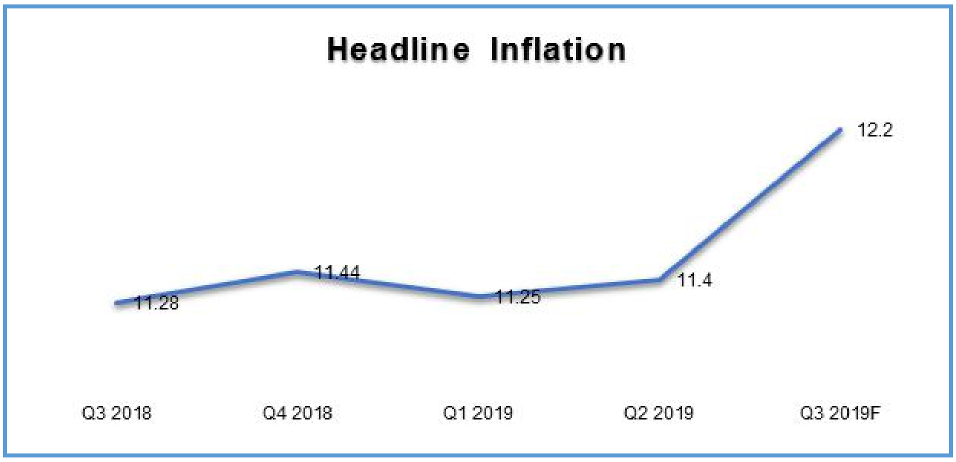
Higher international oil prices and stable domestic production should support the external reserves in the short term, but persistent capital flight, reflecting Emerging Markets risk aversion, will continue to exert downward pressure.



Source: NBS

3.6 Inflation

We expect inflation to rise in Q3 2019 on the back of food price pressures, possible increases in electricity tariff, as well as the implementation of the new minimum wage. Overall, we are forecasting inflation to range between 11.35% and 12.2% in Q3.



Source: NBS, EIU

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