Access Economic Quarterly

First Quarter 2013

Table of Contents

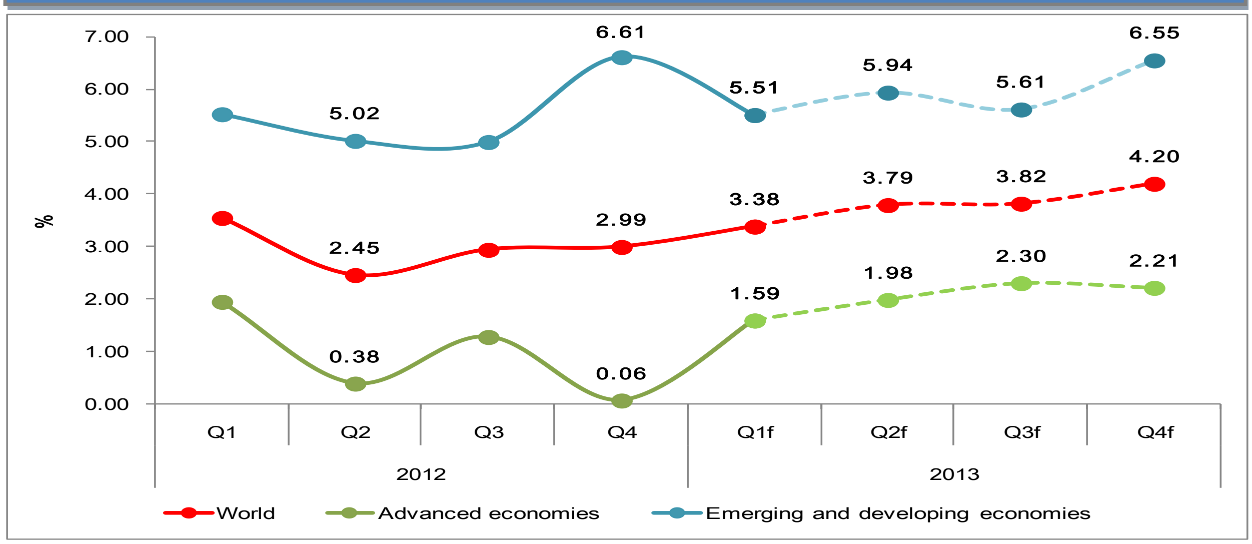
1. Global Economy

The world's largest economies are gradually losing momentum in terms of growth. Recent data shows slowing growth in the United States and China, while Europe is still battling with recession. Japan has announced a massive stimulus program to spur growth. For this year, the world's third largest economy is not likely to grow much.

Rising unemployment in the euro-area and U.S; high debt levels in Spain, Portugal & Italy; and decline in China's manufacturing output are some of the forces that tempered global growth performance in Q1 2013. On the other hand, some positive signs helped restore measure of confidence. These include: upward revision of US Q4 2012 GDP and huge liquidity injection into European banks. These major developments shaped the world economy in Q1 2013.

The International Monetary Fund (IMF) recently revised downward global growth forecast to 3.3% in 2013, from initial projection of 3.5%. It also trimmed its 2014 forecast to 4.0% from 4.1%. The persistent debt crisis in the Euro-zone, according to the world's international finance institution, has continued to put a drag on global recovery.

IMF GDP Growth rate and projection



Overall global growth remained sluggish in Q1 2013 as major economies were faced with sub-par recoveries as fiscal austerity programs are implemented. This has spilled over to emerging economies as well, with most growing below their five-year trends/ norms. China's economic recovery unexpectedly experienced a marginal stumble in the first three months of 2013 as the annual rate of growth eased to 7.7% from 7.9% in Q4 2012.

1.1 United States

In the United States, in the review period, economic growth remained weak and unemployment stayed high. The economy grew softly at 2.5% in Q1 2013 after recording a 0.1% contraction in the last quarter of 2012. Democrats and Republicans eventually reached a deal to avert the so-called Fiscal Cliff, but this focused only on the tax side of the equation. Tough negotiations on spending cuts and raising the debt ceiling have been deferred, raising the spectre of more uncertainty in 2013. However, the IMF projects GDP growth to top 3% on average in H2 2013 and into 2014.

Industrial output levels were also uninspiring, with a drop in manufacturing sector productivity, impacting negatively on employment in the world's largest economy. On oil price movements, anemic supply and soaring demand from emerging economies let to relatively high crude oil prices

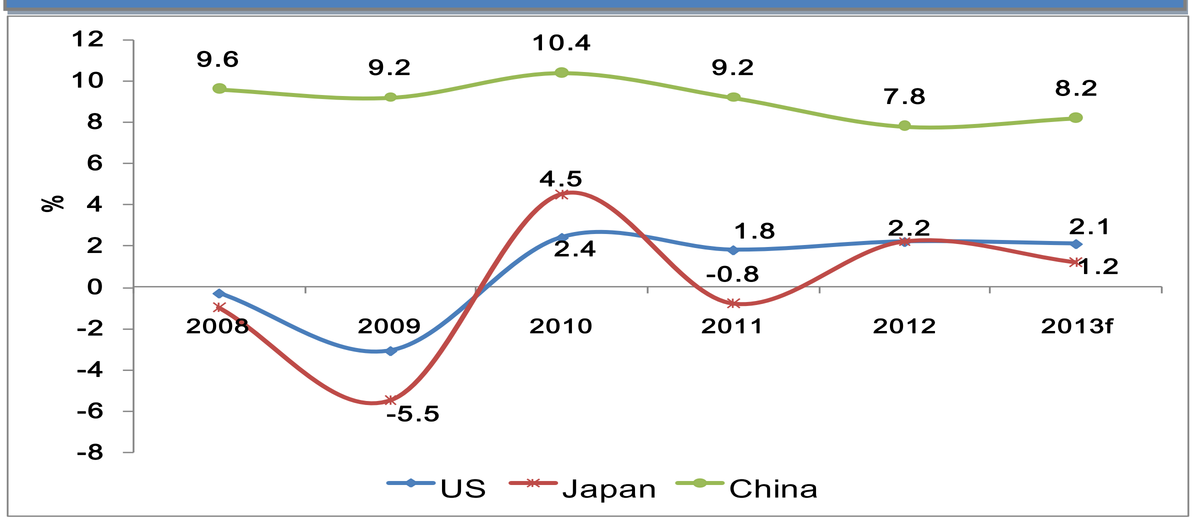
1.2 Euro Area

Growth rates in and around Europe slowed in Q1 2013 and look set to disappoint over the next 9 months in 2013. The Zone experienced contraction in excess of 0.4% in 2012; however the 17-member currency bloc is expected to expand by just 0.2% in 2013. Spending cuts and tax increases aimed at trimming debt burden and addressing the financial crises in bailed-out euro-zone countries, and the rising rate of joblessness in much of the currency bloc are major factors that shaped economic activities in Q1, 2013.

Unemployment across the 17 euro-currency area hit a record high of 12% - highest level since the currency was launched in 1999, data from the EU's statistics office show. Over the period, 33,000 people in the zone joined the ranks of the unemployed. Spain and Greece continued to suffer from unemployment rates in excess of 26% in the review period and may further increase to uncomfortable levels. Spain is currently at a new record high of 27%.

The U.K. economy expanded 0.3% in Q1 2013, largely underpinned by an expansion in the dominant service sector even in the face of austerity program. It was 0.3% contraction in Q4 2012. The economic growth pick-up forestalled a triple-dip recession. Household spending was up 0.1% in the period, while government spending remained unchanged. The Bank of England (BoE) has kept its quantitative easing programme unchanged at £375 billion and its interest rates at a historic low of 0.5% to aid recovery given the weak growth prospects. BoE expects the economy to expand 0.5% in Q2 2013. The emerging economies of central and eastern Europe are expected to grow faster in 2013 (2.6%) but rate of expansion may remained depressed by a slowdown in foreign direct investment (FDI) inflows.

GDP growth rate



1.3 Asia and South America

After a year of subdued economic performance in 2012, growth in Asia is set to pick up in the review period. Domestic demand is expected to largely drive growth. The region's GDP growth is projected at 5.75% in 2013 – expected to lead global recovery. Consumption and private investment will be supported by favorable labor market conditions—unemployment is at multiyear lows in several economies. Boosts to growth prospects are likely to come from growing domestic demand in China and, policy stimulus in Japan.

China, the world's 2nd largest economy, grew by 7.7% in Q1 2013 from 7.9% recorded in the last three months of 2012. Weak growth from debt-ridden Europe and global demand slowdown were factors identified as curbing output expansion. Inflation rate declined to 2.1% in March 2013 from 3.2% (ten-month high) recorded in February due to a drop in food prices, data from the National Bureau of Statistics show. Food prices fell by 2.7% in the period from 6% reported in February, when food costs were pushed up due to Lunar New Year festivities.

In Q1 2013, investment flow into China totaled $29.9 billion – a 1.44% increase from figures recorded during the same period in 2012 – may just be the pointer that the global economy has started to pick up. However, slowing demand for exports from key markets such as the US and Eurozone may continue to impact negatively on the Chinese economic growth prospects.

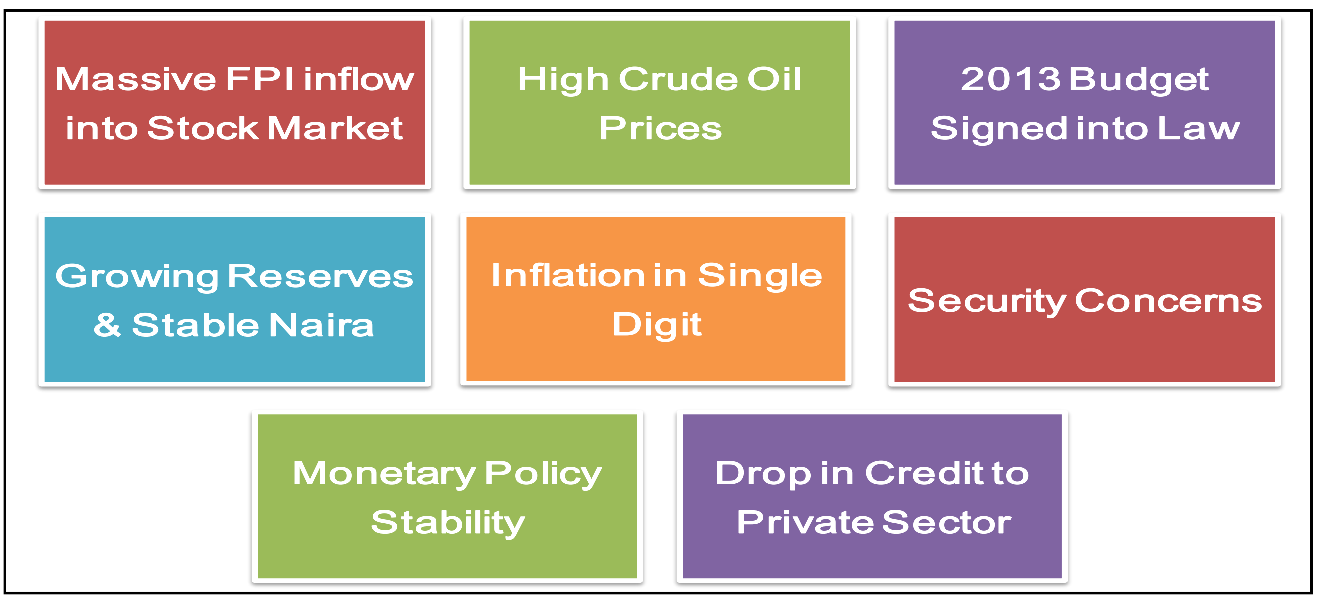
In India, growth in Q1 2013 was at an estimated 5.58% – compared with 6.1% in Q4 2012. Output had slipped to a nine-year low in 2012 as persistent high inflation cut into consumer spending power and political gridlock hampered meaningful economic reforms. However there are signs of change, with the lower House of Parliament recently voting to allow FDI in the retail sector and growth is expected to quicken to 6.0% in 2013.

With lingering unrest in the Middle East, expected growth of 3.8% in Russia in 2013 will be underpinned by relatively high oil and gas prices. Growth prospects in Latin America are also strong. The Brazilian economy has endured a difficult past 24 months of little growth, but is forecast to expand by 4.0% in 2013.

2. The Nigerian Economy

The Nigerian economy was ranked 36th on account of GDP – estimated at $273 billion in 2012, a recent IMF economic report show. Africa's largest oil producer-nation also ranked 127 in Global Competitiveness Ranking of the World Economic Forum and 131 in the Ease of Doing Business Ranking of the World Bank. This underscores a major disconnect between economic growth and investment climate.

<u>Below is a summary of defining issues in the economy in Q1 2013 – A Snapshot</u>



The security situation remained a cause for concern in the quarter. Unrests in some Northern States have continued to impact negatively on economic activities. A significant chunk of the 2013 Budget is to be spent on Defense and Security –

N347.19billion – a measure the Government hopes would address the security challenges facing the nation. However, Education has the lion share of the fiscal plan for the year with N427.52billion.

2013 Budget breakdown

OVER 4,000 EMPLOYEE VOLUNTEERS

IMPACTING LIVES, IMPACTING COMMUNITIES.

At Access Bank, we constantly seek to be the change our communities need. We take great pride in the different initiatives our employee volunteers have embarked upon to bring about this change.

Over 27,000 employee volunteering hours have touched more than 31,000 lives across different spheres – Education, Health, Social Welfare and Environmental sustainability. "We are pleased to make the development of our host communities a part of our business"

For more information, please visit
www.accessbankplc.com

Follow MyAccesscommunity on &
http//:www.facebook.com/myaccess
http//:www.twitter.com/myaccess

A Passion For Excellence

access

2.1 GDP Growth

Economic growth, in terms of the gross domestic product (GDP), grew by 6.56% in Q1 2013. This is slightly lower than the 6.99% in the final quarter of 2012. The marginal decline may be attributed to both domestic and global factors. From the domestic scene, the small drop in oil receipts due to oil theft – reducing daily crude oil, impacted negatively on output. Growth projection for 2013 is 6.75%.

We expect robust output expansion in 2013, bolstered mostly by growing contributions from the non-oil sectors. Downside risks to growth remain spill-over effects of recession in the Eurozone as well as weak global growth. Rising security tension following ongoing sectarian crisis in the North may also slow growth prospects.

GDP growth rate: NBS

Source: NBS

2.2 Monetary Policy

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) has so far achieved stability in monetary policy through its primary anchor rate – Monetary Policy Rate (MPR). This posture was consistent with the need to maintain price stability, and sustain foreign investment inflows. At the two meetings held in Q1 2013 – January and March – it retained the MPR at 12%. The Cash Reserve Ratio (CRR) and Liquidity Ratio

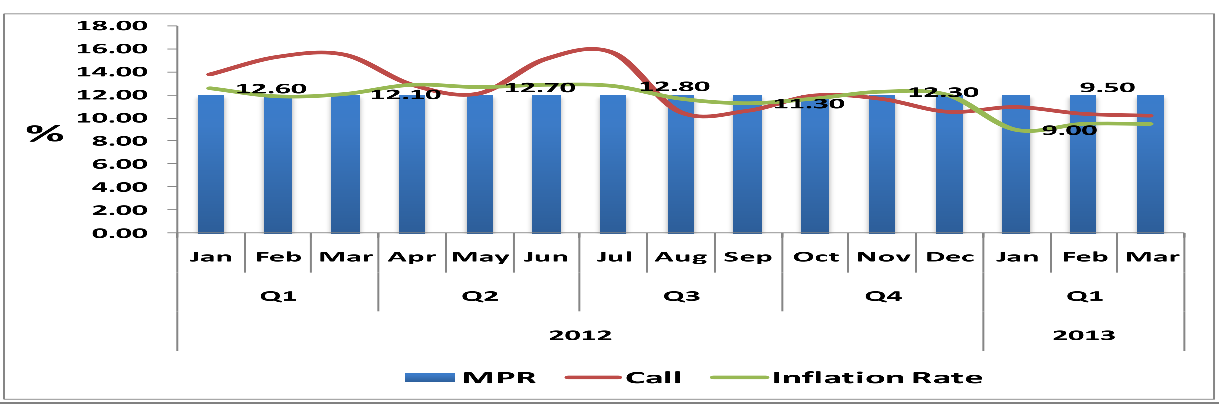
(LR) were also left unchanged at 8% and 30%, respectively. The Committee also maintained the +/-200 basis points interest corridors. Standing deposit facility (SDF) and standing lending facility (SLF) rates remained at 10.0% and 14.0%, respectively. The MPR has remained unchanged since October 2011 – when it was raised by 275 basis points from 9.25%.

The open market operations (OMOs) remained the active channel for monetary management in Q1. This helped to mop up excess liquidity from the system, with the CBN consistently selling Treasury bills to banks. Total amount withdrawn from the system in the period was about N1.8trillion.

In Q2 2013, the CBN would likely continue to favour a stable monetary policy environment. This is premised on the following reasons:

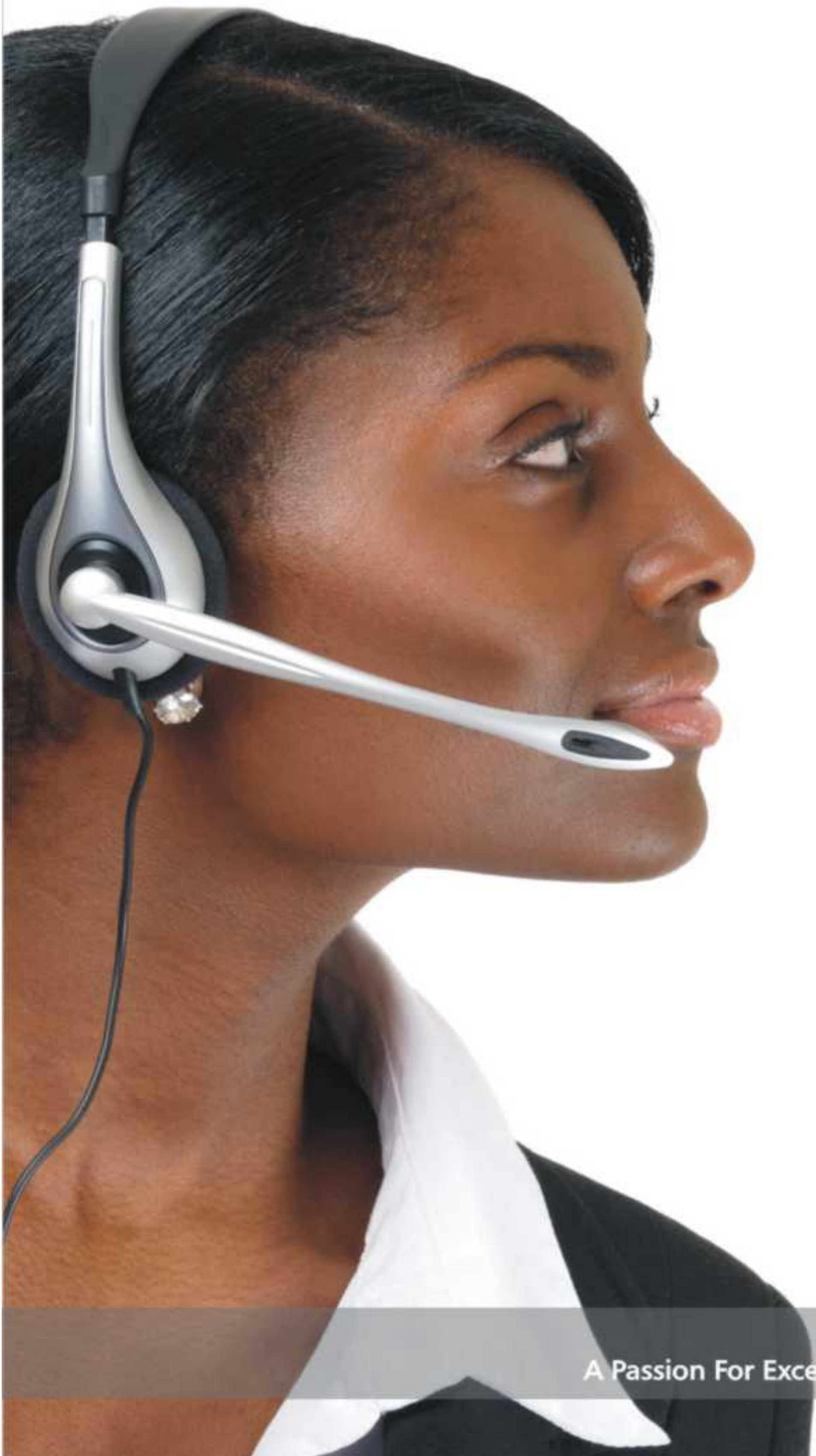
- ✓ Declining inflation figure – Consumer price growth was 8.6% in March 2013 down from 9% in January.
- ✓ Stable Naira – The local currency has remained within the targeted band against the US Dollar, trading between N156/US$ – N159/US$. The 2013 Budget Naira/Dollar rate remains N160/$
- ✓ Rising foreign reserves currently at $48.77billion on April 19, 2013. It was $44.34 billion at year start.

MPR and Inflation



Source: CBN & NBS

>>> FEEDBACK OR CONCERNS?



Talk to us

"If you have a complaint or would like us to know how we can serve you better, please contact us through any of the following channels:"

Phone 01-2712005 -7/ 0700-CALL-ACCESS

Email Contactcenter@accessbankplc.com

Post Head, Innovation and Total Quality Management, Plot 1665, Oyin Jolayemi Street, Victoria Island, Lagos

Social Media Join my Access Community on &

http//:www.facebook.com/myaccess
http//:www.twitter.com/myaccess

Or visit any of our branches to speak to a member of staff

We endeavour to resolve customer issues within 24 hours

For more information, please visit www.accessbankplc.com

A Passion For Excellence

access >>>

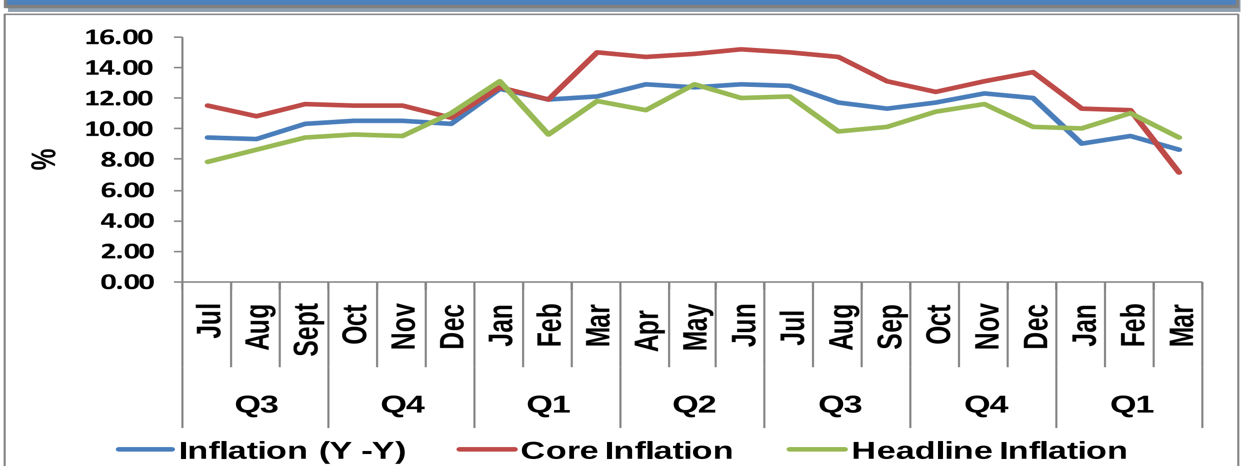
2.3 Inflation

March inflation figure was down to 8.6% (5-year low) from 9.5% in February 2013. It was 9% in January. The last time the Consumer Price Index (CPI) got to single digit was in April 2008, when it achieved at 8.2%. The decline is primarily attributed to base effects as the broad economy recorded higher price levels in the corresponding period of 2012 against the backdrop of relative poor harvest.

Prices edged lower on all fronts even as core and headline inflation both recorded decline. The headline index fell to 9.5%, down from the 11% recorded in the previous month. It was 10.1% in January 2013. Core inflation also dropped to 7.2% in the period from 11.2% in February.

Current inflation figure may incite expectation of a policy loosening by the Central Bank of Nigeria (CBN) in Q2 2013. However, the recent depreciation of the Naira value may dampen prospects.

Inflation

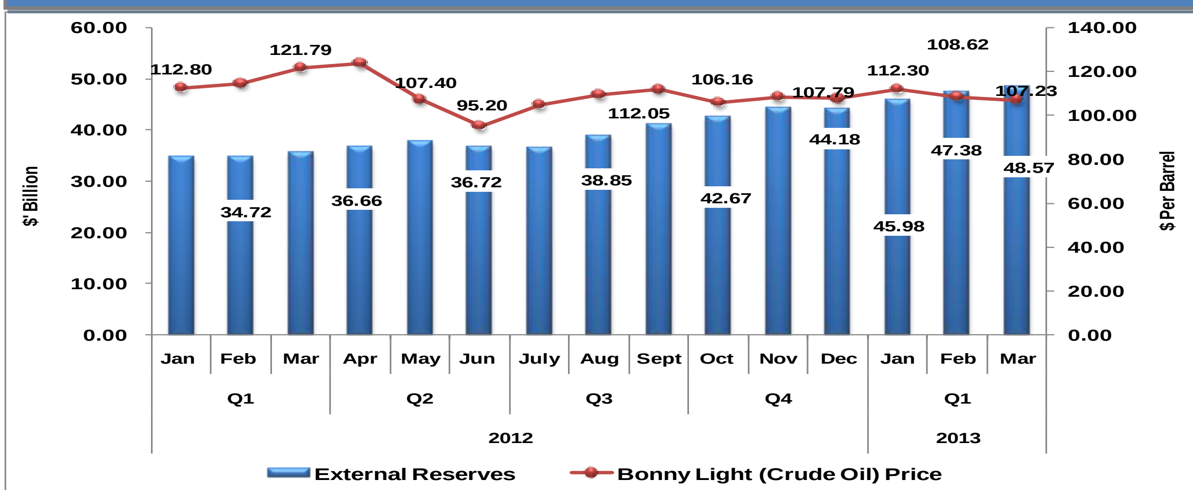


Source: NBS

2.4 External Reserves

The nation's reserve witnessed significant growth in Q1 2013. It rose to $48.57billion at end-March 2013 from $44.34billion reached at year-start, an increase of 9.54%. The accretion to the 'foreign currency pot' came from the rising price of crude oil in most of the period and low dollar demand pressure at the weekly wholesale Dutch Auction System (wDAS). The nation's reserves reached the quarter high of $48.71billion on the last day of the quarter.

External Reserves & Bonny Light

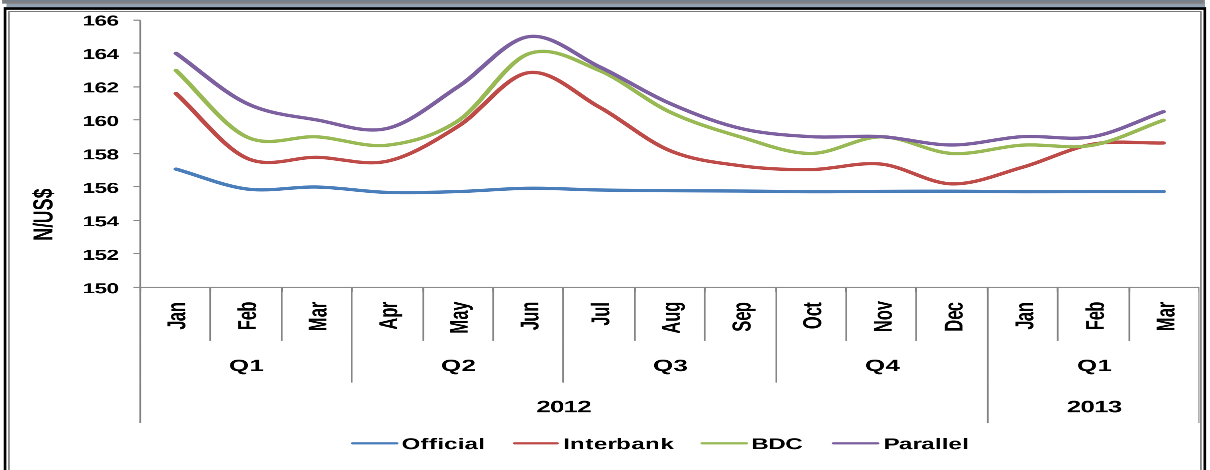


Source: CBN & OPEC

2.5 Exchange Rate

At the foreign exchange market, in Q1 rates remained within the CBN's avowed position of N155/$ ±3%. At the CBN window it was N155.75/US$ on March 28, 2013 after opening Q1 2013 at N155.77/US$ – a 0.01% depreciation. Also, it weakened marginally against the US Dollar at the other market segments in the review period. The local unit depreciated by 1.56% to close N158.65/US$ at the interbank in the period helped by huge dollar demand by oil companies. Prudent monetary policy, amongst others, adopted by CBN helped to cushion Naira's weakening against the dollar.

Exchange Rates



Source: CBN & FMDA

At the regular bi-weekly auction for the period, CBN sold a total of \$3.89billion – 17% higher compared to the \$3.32billion recorded in Q4 2012. Demand for the dollar rose to \$3.91billion in Q1, 2013 from \$3.27billion in the preceding quarter.

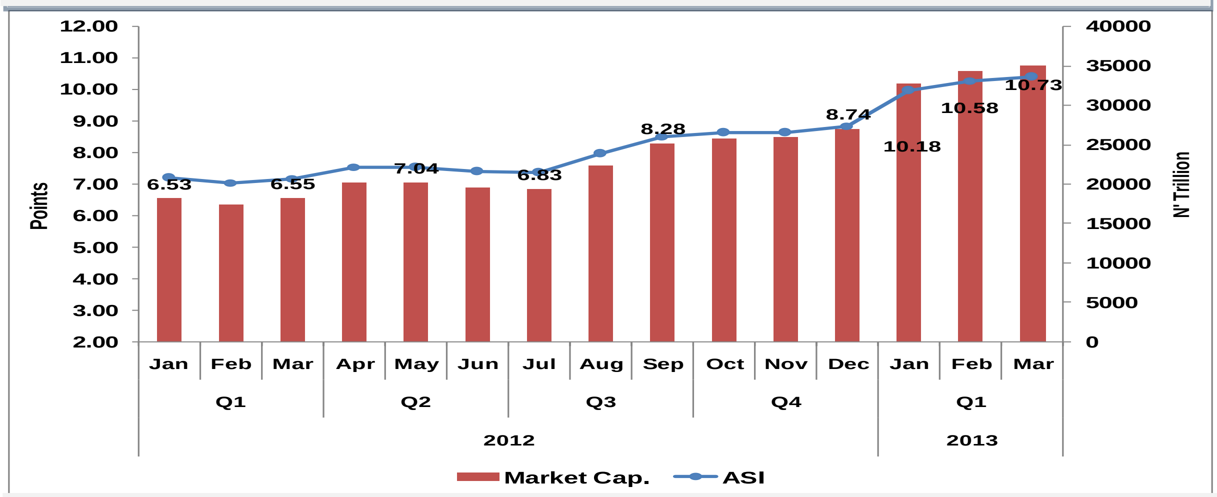
The local currency should sustain current stable levels and, appreciating over time on the strength of CBN avowed commitment to keep Naira at current band. However, downside risks to the Naira/Dollar relationship remains: divergence in fiscal-monetary policies, declining foreign reserves and higher demand for the greenbacks.

2.6.1 Stock Market

In Q1 2013, trading activities at the Nigerian Stock Exchange (NSE) ended on an impressive note as major market performance indicators soared over previous quarter's close. The bulls dominated trading in the period as buy pressure (high demand for equities) outweighed occasional profit-taking activities. Optimism over FY 2012 financial scorecard fuelled expectations of rise in share prices. Consequently, the NSE All-Share Index (ASI) extends gains by 19% to close at 33,536.24 points as against 7.95% uptick recorded in Q4 2012. In the same vein, market capitalization added N1.76 trillion year-to-dates to finish at N10.73 trillion.

One performance-enhancer in the Nigeria bourse has been the impact of market-makers activities which have significantly improved market liquidity. Despite occasional bearish trends due to profit-taking activities by cautious investors, on the average market sentiments remained positive. Investors appear hopeful about the robustness in performance indicators – which has witnessed weeks of persistent appreciation.

The Nigerian Stock Market - All Shares Index & Market Capitalisation



Source: NSE

Continued share price appreciation triggered by impressive scorecards released by some blue-chip companies and attractive dividend payout may continue to keep market sentiments on the positive. Analysts believe that the introduction of market-makers would also support further up-tick in market indices.

We expect recent bullish trend in the market to persist into the second half of 2013. This is in view of increasing investor preference for equities investment. Performance indicators of traded equities may further swing northwards as rising investors' confidence and foreign portfolio investment inflows continue to induce buoyant mood in the equities market.

2.7 Interbank Rates

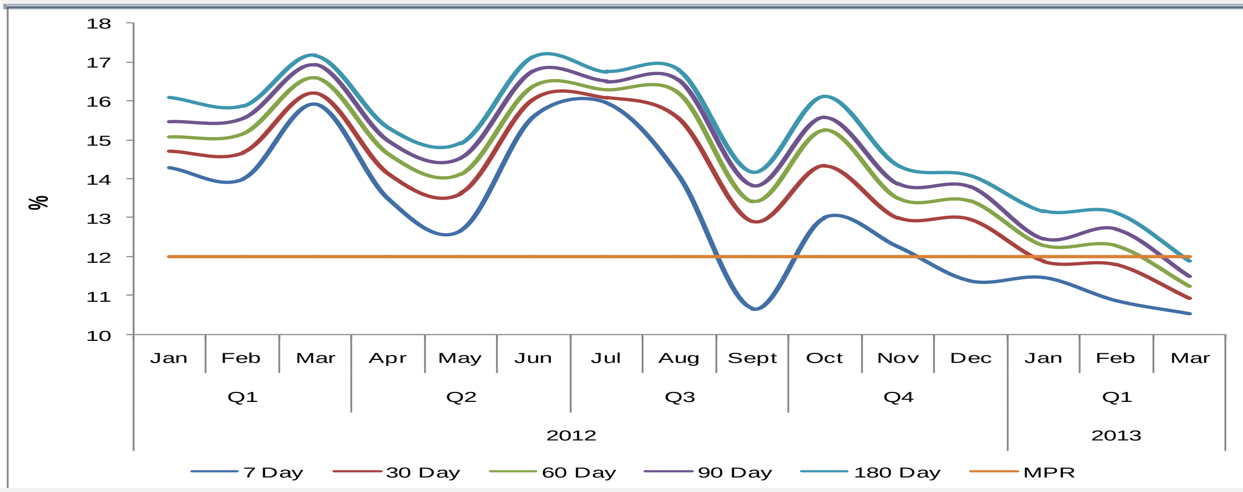
The Nigerian Interbank Offered Rates (NIBOR) trended southwards in Q1 2013 in spite of CBN regular mop up activities in the period to restrain liquidity. Activities of the apex bank via the sale of treasury bills and bond issuance by Debt Management Office impacted little to systemic liquidity in the quarter. On average, rate stood at 11.22% in the period under review – 1.72 percentage points lower when compared to the 12.94% recorded in Q4 2012. It was 16.55% in the corresponding quarter in 2012. For the first three months of the year 2013, disbursement of statutory allocation by the Federation Account Allocation Committee (FAAC) was N852.9 billion as against N820 billion in the previous quarter.

NIBOR

Period	CALL	7-Day	30-Day	60-Day	90-Day	180-Day	365-Day
Jul 12	15.71	15.96	16.08	16.29	16.5	16.75	17.17
Aug 12	10.58	11.75	12.96	13.67	14.42	15	15.83
Sep 12	10.67	10.67	12.92	13.42	13.83	14.17	14.46
Oct 12	12	13	14.33	15.25	15.58	16.13	16.57
Nov 12	11.71	12.25	13	13.5	13.88	14.34	14.71
Dec 12	10.58	11.38	12.96	13.41	13.79	14.08	14.38
Jan 13	11	11.46	11.88	12.29	12.46	13.17	13.63
Feb 13	10.42	10.87	11.79	12.29	12.71	13.13	13.59
Mar 13	10.29	10.54	10.92	11.25	11.5	11.88	12.17

Source: FMDA & FDHL

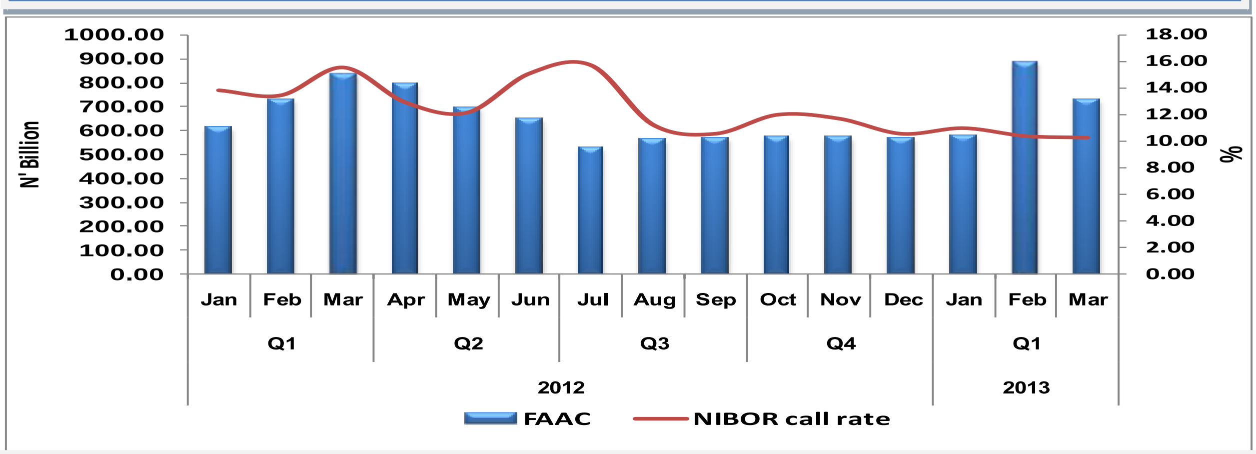
NIBOR



Source: FMDA & FDHL

Inflows of about N5.8 trillion for maturing T-bills may have also impacted systemic liquidity as market closed in excess of N521.7 billion on March 28, 2013 as against year start figure of N476.2 billion. Expected expansionary spending in the current fiscal year may give rise to market liquidity (with its inflationary effects) and further lower rates. However, the regulator's monetary policy posturing has remained aimed at mopping inflationary money from the financial system.

Statutory Disbursement & NIBOR Call



Source: Budget Office & FMDA

On average, prime lending rate of Deposit Money Banks (DMBs) rose to 16.59% in Q1 2013 up from 16.51% in Q4 2012. The Q1 figure was however lower than the 17.10% recorded in the corresponding quarter in 2012. The rise in rates might have been adduced by higher demand for bank money and also the activities of the CBN with regards to OMO operations. Lending rates may possibly remain around current level or trend further northwards in Q2 2013. This is on the back of the apex bank's stable monetary cycle. However, reduction of structural and institutional impediments as well as DMBs risk perception of borrowers could moderate high lending rates.

Average Prime Lending Rate

Source: CBN

2.8 Fiscal Policy and 2013 Budget

Some of the policy thrusts of Budget 2013 are reducing the cost of governance, job creation and accelerating expansion in the commanding heights of the economy. The Budget is themed "fiscal consolidation, inclusive growth and job creation" with government deciding to focus on some key areas. These are Power, Agriculture, Security, Infrastructure renewal and development amongst others.

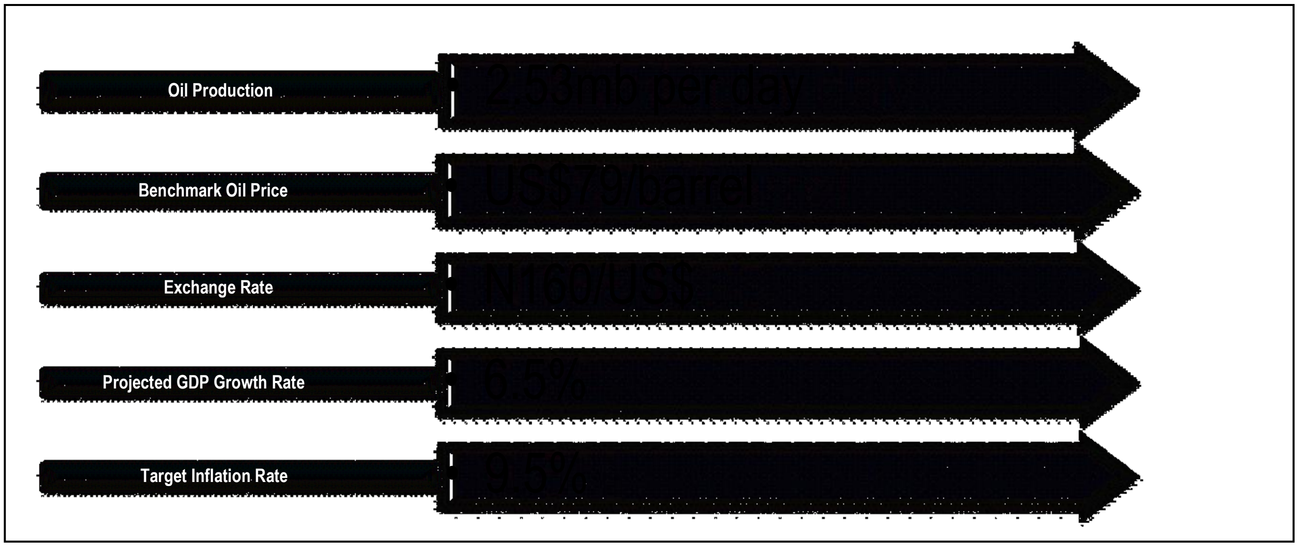
The 2013 Budget is built on four pillars:

- Macroeconomic stability
- Structural reforms
- Governance and institutions; and
- Investing in priority projects

Budget 2013 Priorities

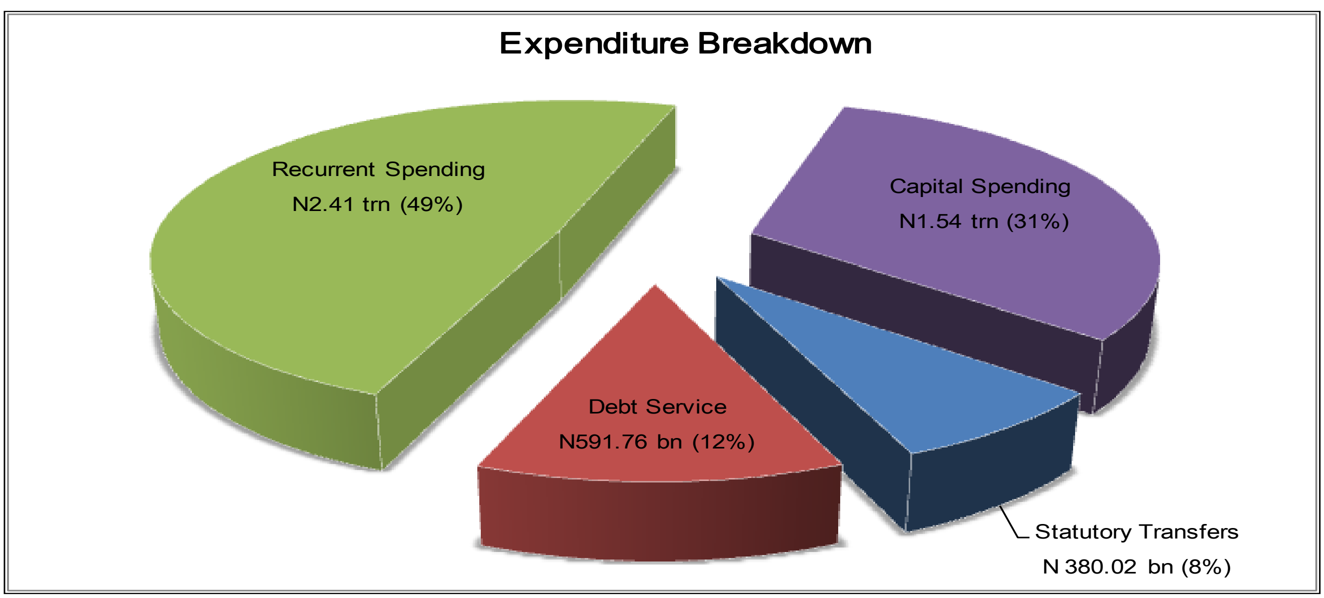
The increase in oil benchmark to $79 per barrel from $72 helped reduce the deficit budget provision to about N1.09 trillion from N1.16 trillion stated in the 2012 Budget. Other highlights of the Budget include 2.53mbpd crude oil production, 6.5% GDP growth rate, 9.5% inflation rate and an exchange rate of N160/US$.

2013 Budget Benchmarks



The approved Budget contains N380.02billion in statutory transfers, N591.76billion in debt servicing, N2.41trillion and N1.54trillion in recurrent and capital expenditure, respectively.

Budget Breakdown



2.9 Financial Sector

The banking system was relatively stable in Q3 2012 on the back of the reforms undertaken by the both the fiscal and monetary authorities. The banking regulator (CBN) reviewed the risk weightings assigned to identify exposures in the financial industry. This is to edge against risks associated with excessive concentration of credit in the asset portfolios of banks. As contained in the review document, risk weight assigned to direct lending to local governments, states, ministries, departments and agencies (MDAs) has been increased to 200% from 100%. Investments in Federal Government bonds shall maintain zero per cent risk weight while eligible State Government bonds would continue to attract 20% risk weighting. Bank exposure to any industry/economic sector in excess of 20% of total exposure shall be assigned a risk weight of 150% of entire portfolio.

Still in the review period, CBN commenced the mapping of financial access points across the country to drive its newly unveiled Financial Inclusion strategy. The ultimate objective is to identify areas where financial services are under-served. The apex bank last year launched a Financial Inclusion strategy to enable more citizens have access to a broad range of financial services, engage in economic activities and contribute to economic development. The strategy is aimed at reducing the percentage of adult Nigerians excluded from financial services to 20% by 2020 from 46.3% as at 2010.

Also, the cashless economy policy which started with a pilot run in Lagos in 2012 would be extended to other states (Rivers, Ogun, Kano, Anambra and Abia States as well as the Federal Capital Territory, FCT), effective July 1, 2013. This move is aimed at further reducing the dominance of cash transactions in the financial system. Under the policy, the CBN pegged the daily cumulative cash withdrawal and deposit limit for individual accounts at N500,000 and N3 million for corporate accounts. There are penal charges for cash withdrawals and deposits above the approved limits.

3.0 Outlook for Q2 2013 and Beyond

- Monetary policy softening is unlikely in the short-term given threats from both internal and external environments.
- The likelihood that Monetary Policy Rate (MPR) will be maintained at 12% is rather high.
- Inflation to remain on the single digit region and lower on prudent monetary policy management
- CBN monetary policy highly likely to keep its focus on price stability
- Increased government spending anticipated due to expansionary 2013 fiscal plan
- Informed and planned regulatory reforms
- More initiative at reducing poverty and creating Jobs
- Growth concerns from world's richest economies and lingering debt crisis in the Eurozone

>>> ACCOUNT OPENING

MADE EASY

Our account opening process is fast and can be completed with just one visit to any of our branches. All you need is any one of these:

- Drivers' License
- Voters' Card
- International Passport
- National ID Card

A utility bill or any other documentary evidence of address is required only in the event that:

1. The address on any of the above documents is different from that filled on the account opening form.
2. Your address is not on your ID document.

We look forward to starting a relationship with you.

For more information, please visit www.accessbank.com

Follow MyAccesscommunity on &
http//: www.facebook.com/myaccess
http//: www.twitter.com/myaccess

COME ONE, COME ALL

A Passion For Excellence

access >>>

Economic Intelligence Team

Tony Monye

anthony.monye@accessbankplc.com

Rotimi Peters

rotimi.peters@accessbankplc.com

Pascal Esehien

pascal.esehien@accessbankplc.com