ACCESS ECONOMIC QUARTERLY
Q1 2015

SPEED SERVICE SECURITY

IN THIS EDITION

ACCESS ECONOMIC QUARTERLY
Q1 ACCESS QUARTERLY 2015

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1.0

GLOBAL ECONOMY

GLOBAL ECONOMY

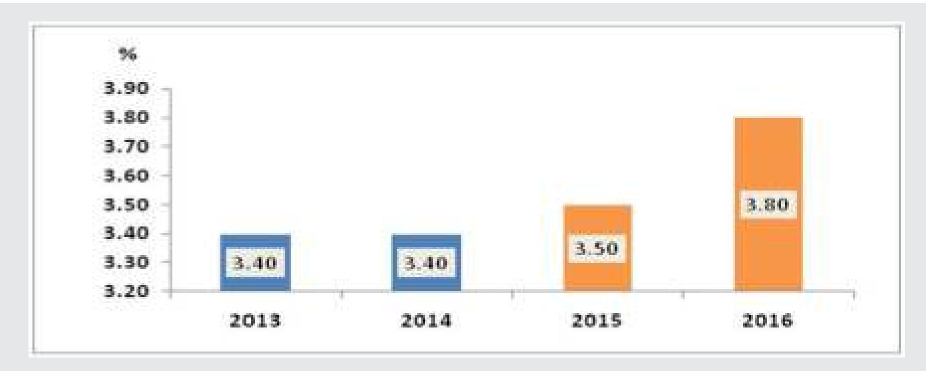
The global economy in the first quarter of 2015 was largely defined by the interplay of a handful of trends, namely weak international crude oil prices, monetary policy divergence and sub-trendeconomic growth.

Crude oil prices remained under pressure in the first quarter of 2015 as fundamental imbalances and market pessimism persisted. At about $56 per barrel, crude oil prices have shrunk by more than 47% from their June 2014 peak of $107. The impact of falling oil prices has been mixed for countries; straining balance sheets in oil-producing countries, while providing more fiscal flexibility for oil-importing countries.

On the monetary policy front, divergence remained a key theme for the major developed and emerging markets. In the US, the Federal Reserve (Fed) and the Bank of England (BoE) are on the path to interest rate normalisation, with a liftoff in interest rates expected later this year. By contrast, monetary conditions in the Eurozone and Japan are set to remain accommodative with the European Central Bank (ECB) having finally committed to a €60billion per month Quantitative Easing (QE) program while the Bank of Japan (BoJ) announced it would hold steady on its $1.4 trillion Quantitative Easing program.

The International Monetary Fund (IMF) in its latest World Economic Outlook report published in April downgraded world growth outlook for 2015 from 3.8% to 3.5%, warning that the decline in oil prices would not offset the weaker growth prospects from China, Europe and Japan. Elevated concerns about geopolitical developments in the Ukraine, Middle East and, most recently, Greece also weighed on the outlook for world GDP

GLOBAL GDP GROWTH



Source: IMF

GLOBAL ECONOMY
UNITED STATES/EURO AREA

US economic data in the first quarter of 2015 continued the generally softer tone which had been evident at the end of 2014.In a pattern similar to the first quarter of 2014, unseasonably cold weather and record snowfall in parts of the country combined to slow economic activity at the start of this year.

The US Labor Department reported that American employers added only 126,000 jobs in March – the lowest since December 2013 and far below a downwardly revised 264,000 rise in February. The unemployment rate however remained steady at 5.5%, held down by declining labour force participation.
Orders for durable goods—products designed to last at least three years— declined a seasonally adjusted 1.4% in February –the third decline in the last four months. More worrying was a 2.6% slump in business spending on capital equipment, suggesting U.S. companies are still cautious about spending amid weak global demand.

US consumer inflation increased 0.2% in March on a seasonally adjusted basis, compared with 0.0% year-on-year (y-o-y) in February and -0.1% y-o-y in January. A breakdown of the inflation figure revealed that some of the main categories are in deflation including gasoline at -29.2% y-o-y, piped gas at -14.4% y-o-y, used cars and trucks at -1.3% y-o-y, and clothing at -0.5% y-o-y. The negative inflation rates were partly offset by the cost of medicines at +4.2% y-o-y, shelter at +3.0% y-o-y, food at +2.3% y-o-y, and transportation services at +2.0% y-o-y.

The Federal Reserve finally removed the long-standing language from its monthly statement of monetary policy that it would be 'patient' about moving away from a near-zero interest rate environment. While this suggested the Fed is closer to raising interest rates, Fed Chair Janet Yellen clarified that any increase wouldn't happen before June, and would be data-dependent. The Fed also indicated that rate increases would likely occur later, and at a more gradual pace, than previously forecasted due to more moderate growth expectations.

By and large, most economists consider the first quarter's soft data patch as transitory and expect the economy to rebound from the weather-induced weakness in the second quarter. The stronger US dollar will put a crimp on exports this year, but the negative impact on

GDP will be cushioned by the continued low oil price. The outlook for private consumption remains strong as real income growth is supported by strong job growth and low headline inflation.

1.2 EURO AREA

European economic data continued to improve in the first quarter of 2015 lifted by tailwinds of cheap oil, an undervalued euro and aggressive ECB monetary easing.

Markit's final March manufacturing Purchasing Managers' Index (PMI) printed at a 10-month high of 52.2, beating a flash reading of 51.9. It was the 21st month it has been above the 50 mark that separates growth from contraction. Factories benefited from the weaker euro which not only made exports cheaper but also meant competing imports were more expensive.

In another indication of an improving Eurozone economy, March CPI figure rose to -0.1% from -0.3% a month earlier as deflationary pressures moderated. The unemployment rate in the Eurozone also fell to 11.3% in February - the lowest point since May 2012 - from 11.4% in January

On January 22, the ECB announced it would embark on a QE policy, to boost the worryingly low level of inflation in the 19 countries that share the euro. Under the programme, the ECB aims to buy €1.14tn ($1.2tn) worth of bonds between March 2014 and September 2016 at a rate of €60bn per month. Latest data showed it had bought a total €41.02bn worth of bonds by March 27.

The ECB's launch of the QE programme propelled business, investor and consumer confidence indices across the Eurozone to multi-year highs. Economic sentiment across the 19-nation bloc increased to 102.4 in March from 101.2 in February, exceeding market expectations of 101.4, while the consumer confidence reading rose to -9.3 from -12.7 in February.

There are still downside risks, most importantly geopolitical risks inside and outside the euro area and insufficient progress on structural reforms among member states.The election of SYRIZA in Greece has also ignited concerns about the future of the Euro zone, which could weigh heavily on growth and financial markets should these fears persist.

GDP Growth Rate & Forecasts – Regional Comparison

Source:Bloomberg

1.3 BRICS

The BRICS economies took radically different directions in Q1 2015, driven by politics and falling prices for oil and other commodities. While the Indian economy has been buoyed by Narendra Modi's election victory and Chinese authorities continued to take steps to re-shape the balance of economic growth and keep annual growth above 7%, Russia has been battered by sanctions linked to the crisis in Ukraine, Brazil grappled with a corruption scandal and South Africa was wracked by currency volatility.

China

China's weakening economy got off to an anaemic start with a range of indicators losing momentum including industrial production, fixed asset investment, retail sales, imports and factory output.

China's economy grew 7.0% y-o-y in the first quarter, slowing from 7.3% in the fourth quarter of 2014. The result marked its slowest annual expansion since 3.8% recorded in 1990.
Industrial production, viewed as a proxy for the country's economic growth, grew 6.8% in the first two months, its lowest level since the

GLOBAL ECONOMY
BRICS

2008 financial crisis. This was lower than the 7.9% registered in December as factories were hit by overcapacity, high inventories and tight financing.

Fixed-asset investment, a crucial driver of the Chinese economy, rose by 13.9% (the worst performance since 2001) over the first two months of 2015 period from a year ago, after gaining 15.7% in 2014.

Retail sales grew 10.7% during the first two months of the year compared with an 11.9% increase in December. Sales for retail and catering services registered weaker growth during the week-long Lunar New Year holiday, when they usually flourish. A waning inflation rate, the government's aggressive anti-corruption campaign and the property sector's woes lowered consumer passion for banquets, luxury goods and home-related purchases.

Import growth, which has slowed on China's slowing economy and falling global commodity prices, slid 11.7% y-o-y in March, compared with February's 20.5% contraction.

The HSBC flash purchasing managers index (PMI) on China's manufacturing sector slumped to an 11-month low of 49.2 in March from the final reading of 50.7 in the previous month, as new orders contracted while employment fell to the lowest since September 2014.

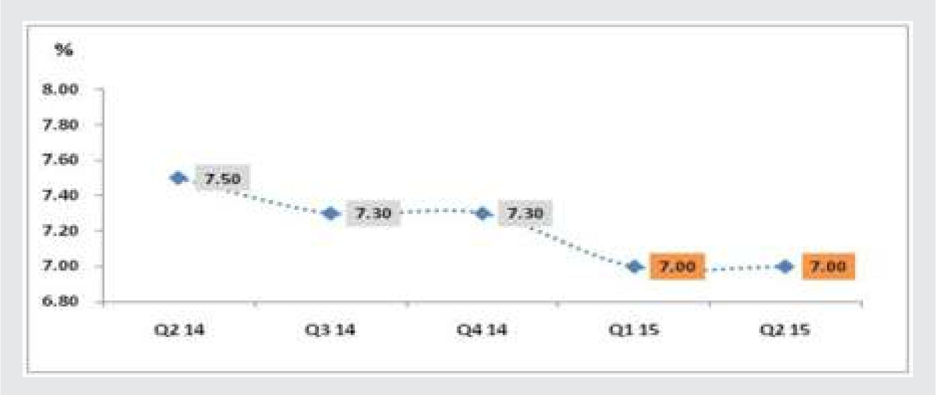
China set its growth target at about 7% for this year. The world's second-largest economy grew 7.4% last year, narrowly missing the Government's 2014 target of "around 7.5%". The new target is in line with China's plan to guide the economy towards slower and more sustainable growth.

The People's Bank of China, the central bank, cut the benchmark one-year lending rate by 25 basis points to 5.35 per cent and the one-year benchmark deposit rate by the same amount to 2.5 per cent in the last three months as activity has slowly deteriorated.

Growth in China is expected to continue to moderate as authorities reposition the economy away from its previous reliance on investment and exports and towards a more sustainable growth path.

Key risks to the Chinese economy remain China's "shadow banking" system (lending outside the banks) has grown rapidly and housing bubble.

GDP Growth Rate & Forecast - China



Source:Bloomberg

India

In February, India's statistical office unveiled a revised GDP series with a new base year and methodology that is more in line with international standards. As a consequence, historical economic growth rates were revised significantly with the country's real GDP expanding by 6.9% in 2014 as a whole. Following this development the IMF announced in March that India was on track to grow at 7.25% for the current financial year and around 7.5% in the coming 2015-16 financial year, making it the fastest growing economy in the world.

The consumer price index fell to 5.17%, down from February's figure of 5.37%, remaining within the Reserve Bank of India's medium-term inflation target of 4%, with a band of plus or minus two percentage points. The Reserve Bank of India adopted a monetary easing bias; the benchmark interest rate was cut in January and March following unscheduled policy meetings, taking the rate from 8.0% to 7.50%.

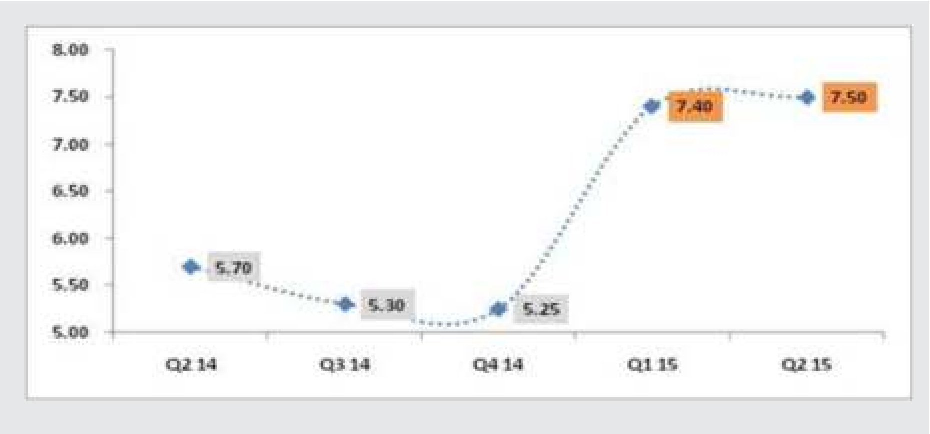
The PMI reading rose to 52.1 points in March from 51.2 in February, marking the 17th consecutive month of above-50 readings. The 3-month average through March was 52.1, which was poorer than the

3-month average through December 2014 of 52.6 but an improvement year-on-year over the 51.7 3-month average registered through March 2014.

India's budget for the 2015/16 financial year was presented in February. Among other things, it announced a 5% reduction in corporation tax, a deferral in plans to reduce its fiscal deficit and an injection of £7 billion in roads, railways and irrigation projects to boost confidence and encourage private sector investment. According to the budget, fiscal deficit would be brought down to 3.9% of GDP in 2015-16, and then further to 3.6% and finally to 3% in 2016-17 and 2017-18, respectively.

India's economic outlook is favourable, with growth momentum supported by a combination of more accommodative monetary policy, weak oil prices, relative political stability, increasing infrastructure outlays, and improving business environment.

GDP Growth Rate & Forecast - India



Source:Bloomberg

Russia

Russia continued to be impacted by the effect of low oil price and sanctions.

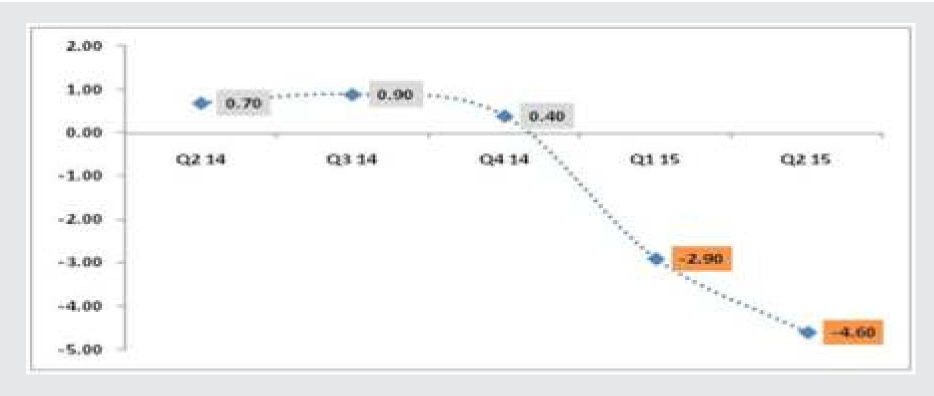
Inflation soared to 16.9% in March, with food prices jumping by 23% compared to last year. Russia's central bank lowered its main interest rate in early March by one percentage point to 14%. The cut was a response by the regulator to calls from businesses to unwind December's emergency increase to 17% to buoy an economy entering its first recession in six years.

Retail sales plummeted by 7.7% y-o-y in February, as high inflation eroded real wages. The uncertain economic backdrop also dampened business investment plans. In February, fixed capital formation declined by 6.5% compared to a year ago, slightly down from -6.3% the month before. Also, industrial production fell by 1.6% in February, the first decline since November of last year.

Russia Manufacturing PMI came in at disappointing 48.1 in March, down from 49.7 in February, marking the 4th consecutive month of sub-50 readings. The 3-month average through March was 48.5, down from 50.3 for the 3 months through December 2014, but up on 48.3 3-month average through March 2014.

Russia's GDP is projected to decline this year due to the oil price downturn, the rouble-driven inflation shock and continued Western financial sanctions.

.GDP Growth Rate & Forecast – Russia



Source:Bloomberg

GLOBAL ECONOMY
BRICS

Brazil
In Brazil, the deterioration in economic activity that persisted at the outset of the year affected business and consumer confidence, which are already at historically-low levels.

Brazilian consumer confidence fell for a third straight month to a new record low in March as rising unemployment, higher interest rates and accelerating prices ate into families' budgets. A private survey conducted by the Getulio Vargas Foundation (FGV) showed the confidence index fell to 82.9 in March from 85.4 in February, which had been its lowest since the data series began in September 2005.

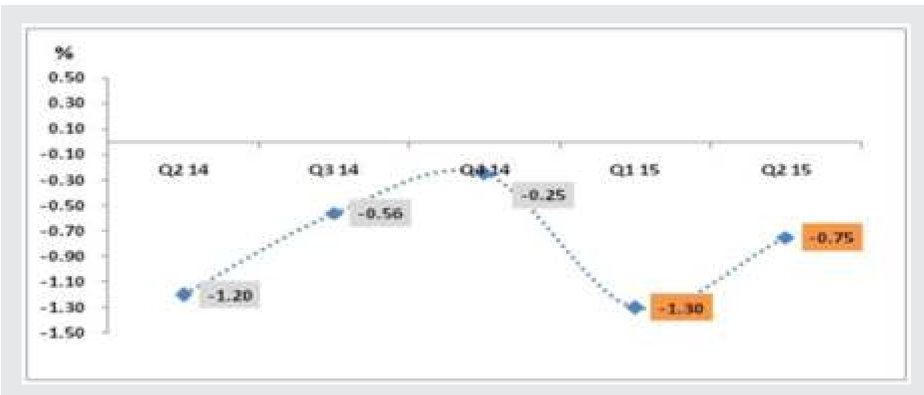
Consumer price inflation rose to 7.7% y-o-y in February, well above the 4.5% ± 2.0% official target range. In an effort to curb high inflation hampering economic growth in the country, Brazil's central bank raised interest rates by 0.5 basis points to 12.75%.

Brazil Manufacturing PMI fell to 46.2 in March from 49.6 in February, marking the second consecutive month of sub-50 readings. The 3-month average through March was 48.8 against the 3-month average through December 2014 at 49.3 and the 3-month average through March 2014 at 50.6.

Brazil's jobless rate rose to 5.9% in February, the highest in almost two years, according to the country's statistics agency. Meanwhile, the central bank estimated gross domestic product shrank 0.1% in 2014 and forecast a contraction of 0.5% for this year, while revising its forecast for the 2015 inflation rate upward to 7.9%.

Brazil's outlook for this year is worsening. Uncertainty over the government's ability to boost growth is rising and the Petrobras scandal is expected to weigh heavily on investment levels.

GDP Growth Rate & Forecast – Brazil



South Africa

South Africa continued to struggle with structural problems, such as infrastructure constraints – most notably power supply constraints – and strained industrial relations.

The South African manufacturing PMI published by Kagiso, a provider of financial information services, edged up to 47.9 in March from 47.6 in February. But this fell short of the Bloomberg consensus forecast of 48.6 and remained below the 50-mark which separates expansion from contraction.
Retail sales growth moderated in January to 1.7%, weaker than the 2.0% year-on-year posted in December, and far below consensus expectations of 2.7% y-o-y. Household credit growth slowed in February, from 3.5% to 3.3%.

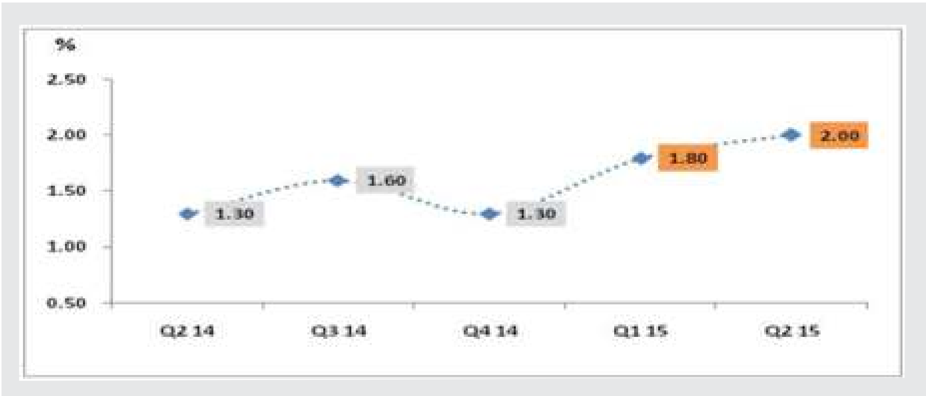
South Africa's 2015/16 national budget tabled before Parliament in February shows the budget deficit is expected to stabilise in 2014/15 and 2015/16, at 3.9% of GDP. Over the medium term, the government still targets a deficit of 2.5%. The latest main budget figures show the monthly balance swung from a deficit of R29bn in January to a R14.0bn surplus in February - slightly smaller than expected.

South African inflation picked up slightly to 4.0% in March from 3.9% y-o-y in February, which was a four-year low. Core inflation, which excludes food, non-alcoholic beverages, gasoline and electricity costs, fell to 5.7 percent in March from 5.8 percent in the previous month. The reserve bank retained its benchmark repurchase rate at 5.75% on March 26 to help support an economy which grew at the slowest pace last year since a 2009 recession, rising gasoline, electricity and food costs are putting pressure on prices.

Business confidence declined slightly in the first quarter of 2015. The RMB/BER business confidence index fell by two points, to 49, in Q1 2015, which signaled that 51% of survey respondents assessed the prevailing business conditions as unsatisfactory. The drop in the index in Q1 2015 follows the marginal improvement in Q4 2014, when the index had lifted by five points to 51.

Looking ahead, the economic picture is constrained by a number of factors namely; power shortages, the risk of fresh labour disputes as well as the weak commodity price backdrop.

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 2014.

2.1 GDP GROWTH

The Nigerian National Bureau of Statistics (NBS) released its most recent quarterly GDP report on February 22. According to the NBS, real GDP growth at factor cost slowed to 5.94% y-o-y during Q4 2014, down from 6.23% y-o-y in Q3. The oil industry managed to make a positive contribution to real GDP growth for only the second time in 2014 – during Q2 and Q4. The NBS highlights that average oil production increased from 2.15 million barrels per day (bpd) in Q3 to 2.18 million bpd in Q4. Despite this, weaker y-o-y performances by a number of key industries dragged overall real GDP growth lower. Although still a key growth driver, the manufacturing sector expanded by 13.5% y-o-y in Q4, down from 16% y-o-y in Q3. The information and communications sector also reflected a marked slowdown in growth, from 8.3% y-o-y in Q3 to 5.2% y-o-y in Q4.

The figures released by the NBS suggest that Nigeria recorded real GDP growth of 6.3% in 2014, up from 5.4% in 2013. The manufacturing industry represented the main growth driver last year, expanding by 14.7% in 2014. The information and communication industry also performed well and expanded by roughly 7% last year. Other industries that recorded strong growth rates in 2014 included construction (13%), finance & insurance (8.1%) and education (8.9%). Crude oil & mining (-1.1%) and energy (-8.7%) represented the only two industries that actually contracted in 2014.

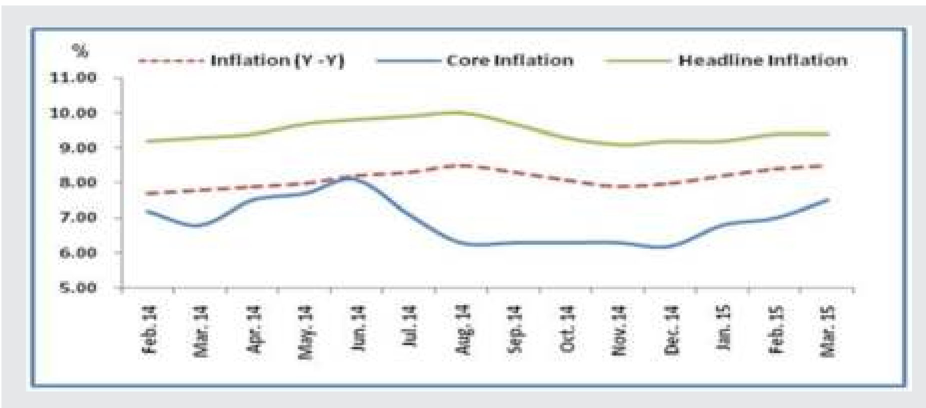
GDP Growth Rate – Nigeria

Source: NBS

2.2 INFLATION

Nigeria's consumer price index (CPI) inflation edged higher in March to 8.5% y-o-y, up from 8.4% y-o-y in February. March marked the fourth straight month in which inflation accelerated. The reading on the food sub-index remained stable at 9.4% y-o-y, while the so-called core (all items less farm produce) sub-index recorded inflation at 7.5% y-o-y in March, up from 7% y-o-y a month earlier. According to the NBS, on a month-on-month (m-o-m) basis, food prices "increased at a faster rate in March relative to February". Food prices increased by 1% m-o-m in March (0.7% m-o-m in February), while the core sub-index reflected an increase of 0.8% m-o-m (0.7% m-o-m in February).

INFLATION RATE - NIGERIA

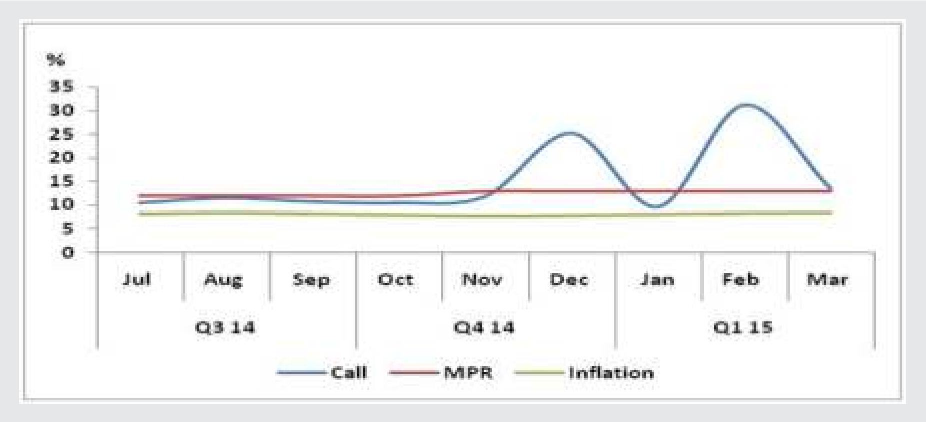


Source: NBS

2.3 MONETARY POLICY

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) voted to keep all policy instruments on hold following its meeting on Tuesday, March 24. More specifically, the 11 members of the MPC voted to maintain the Monetary Policy Rate (MPR) at 13%, the cash reserve requirement (CRR) on private sector deposits at 20% and the CRR on public sector deposits at 75%. According to Governor Godwin Emefiele, the MPC noted that its previous decisions "needed time for their effects to fully permeate the economy and therefore voted to maintain the current position." In his review of the domestic economic climate, the Central Bank governor expressed some concern about Nigeria's economic growth potential this year due to the adverse effects of "low crude oil prices, naira exchange rate depreciation and election-related concerns." That said, the MPC expressed optimism that things will start to improve after the elections when business confidence is expected to rise.

Trends in MPR, Call and Inflation Rate



Source: NBS & CBN

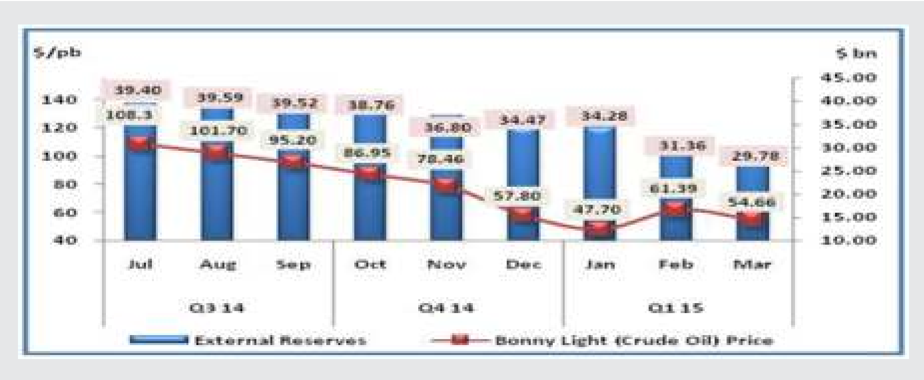
2.4 EXTERNAL RESERVES

Nigeria's foreign reserves continued on a steady downward trajectory following the decline in crude oil prices during the second half of 2014. According the Central Bank of Nigeria, official foreign reserve levels stood at $29.78 billion as at the end of the first quarter, representing a year-to-date decline of $4.69 billion or 13.6%. In an attempt to utilise less foreign reserves to defend the naira, the CBN introduced various foreign exchange controls, namely a review of the net open foreign positions of banks and restrictions on the utilisation of FX purchased at the interbank market, justified on the basis that the currency's depreciation was being driven by speculation.

The measures introduced to tighten foreign exchange liquidity and curb speculation largely failed in preventing the naira from depreciating further, although the tight foreign exchange liquidity conditions at least reduced the pace thereof. At the end of January, foreign reserves were roughly 0.5% m-o-m lower.

However, pressure on the local unit soon returned following news that the presidential elections had been postponed. As a result, the monetary regulator was forced to again use its foreign reserves more aggressively to supply the market with dollars. Foreign reserves had declined by massive 8.5% m-o-m by end-February. Foreign reserves have remained under pressure despite the CBN's decision to abandon the official trading band.

External Reserves and Crude Oil Price (Bonny Light)



Source: NBS & CBN

2.5 EXCHANGE RATE

In an unanticipated move, the CBN announced it was abandoning its regular bi-weekly FX auctions (known as retail Dutch Auction System - rDAS), where it sold dollars, with immediate effect on 18th February. In its stead, the Central Bank initiated multiple daily interventions in the interbank market to fulfil orders based on customer demand.

The naira has remained relatively stable following the CBN's decision on February 18, trading within the N199.00 – N199.50 range, with the CBN bid/offer rate also stable at N196.00/N197.00.

In another move aimed at supporting the Naira by boosting FX liquidity within the system, the CBN said it will impose sanctions on exporters who fail to repatriate dollar proceeds within the required 90-day limit..

Foreign Exchange Rate: Official and Interbank

Source: CBN & FMDA

2.6 STOCK MARKET

The Nigerian stock market reacted favourably to the clear, credible, and peaceful result of the Nigerian general elections. The Nigerian All Share Index gained 16% and market capitalisation added a record N1.8 trillion in the four days after the March 28-29 vote to erase the negative ytd performance of the local bourse. Uncertainty surrounding the elections and a bleak macroeconomic outlook had weighed down market indices in the first quarter. Market capitalisation of listed equities declined by N760 billion from year-opening figures to close at N10.718 trillion, while the NSE all-share index fell by 9.17% to close at 31,744.82 as at 31 March 2015.

Nigerian Stock Exchange and Market Capitalization

Source: Budget Office & FMDA

2.7 NIBOR

The rollercoaster ride in overnight (ON) and open buy back (OBB) interbank market rates moderated in March. The ON and OBB interbank rates dropped back to an average of 13.52% and 14.11%, respectively in March compared to 31.26% and 33.04% in that order for the month of February. The movements recorded in the rates were mainly in reaction to open market operations of the financial regulator. Slightly longer-term rates meanwhile such as the 3-month Nigerian Inter-bank Offered Rate (NIBOR) reflected a far less volatile course.

Interbank Lending Rates

Source: Budget Office & FMDA

2.8 FINANCIAL SECTOR DEVELOPMENTS.
The first quarter of 2015 witnessed a number of policy pronouncements and other developments in the financial space. Below are a few notable pronouncements.

The Federal Government directed all its Ministries, Departments and Agencies to close their revenue accounts with Deposit Money Banks latest by February 28, 2015. The balances in the revenue accounts were to be transferred to the Consolidated Revenue Fund of the Federal Government. This was announced just as an electronic revenue collection platform aimed at checking theft, diversion of collected revenue and all sorts of corrupt practices linked with revenue collection was unveiled. The new platform is to ensure a regime of centralised, transparent and accountable internally generated revenue management system.

In another development, the Central Bank of Nigeria (CBN) introduced a six-year limit for the resolution of bank customers' complaints effective February 16, 2015. In a circular titled, 'Time Bar for Resolution of Customers' Complaints, the apex bank disclosed that the decision was premised on the recognition that timely resolution of consumer complaints against service providers within regulated time line remained a major challenge for banks, financial service providers (FSPs) and consumers. The time limit however does not preclude fraud cases; complaints already lodged with the financial institutions and the CBN. Other categories are international electronic payment transactions whose records are not retained beyond 180 days on the dispute resolution application (arbiter).

In a related development, the CBN released an exposure draft to guide the handling and management of dormant accounts by deposit-taking financial institutions. According to the financial regulator, the exposure draft was intended at standardising the treatment of dormant account balances by commercial banks as well as ensuring dormant account funds are identified and channeled through appropriate institutions. Consequently, the exposure draft proposes that a bank account only become dormant six years after the last customer or depositor initiated transaction in it.

In addition, the CBN stated that three months before the end of the six-year period, the account holder and the next-of-kin would be notified. Reactivation of such inactive/dormant accounts would not attract any charge to the account holder as the banks would have utilised the idle funds.

3.0

OUTLOOK FOR Q2 2015

OUTLOOK FOR Q2 2015

3.0 OUTLOOK FOR Q2 2015

- Monetary policy is likely to remain less accommodative in the short-term given threats from both internal and external environments.
- Monetary Policy Rate (MPR) may still remain at 13%.
- Inflation to remain in the single digit region on prudent monetary policy management.
- Monetary policy normalisation in the US is also likely to add pressure on the naira.
- Increased government spending anticipated due to expansionary 2015 fiscal plan.
- More initiative at reducing poverty and creating jobs.