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## SECTION 1

### The Nigerian Economy

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GLOBAL ECONOMY
The global economic upswing that started since mid-2016 has become broader and stronger with advanced and emerging economies growth rate expanding above expected rates. Growing trade and investment continue as notable factors powering the global upswing.

The WTO’s latest World Trade Outlook Indicator (WTOI), released in May, suggests continued solid trade growth in Q2, albeit at a slower pace from Q1. The WTOI’s current value dropped to 101.8 from 102.3, reflecting declines in export orders and air freight, which could be linked to rising economic uncertainty due to increased trade tensions.

Global oil prices have witnessed increase in prices in the second quarter of 2018. This is supported by global growth and the supply of oil being kept in check by the Organisation of the Petroleum Exporting Countries (OPEC) production curb. Brent prices closed at $76.72 in June 2018 compared to $70.27 at the end of March 2018. This increase in prices is as result of concerns about supply disruptions from OPEC member Venezuela, strikes by two Norwegian oil workers’ trade unions that disrupted production at Shell’s Knarr field and ongoing geopolitical tension between the US and Iran as a result of sanctions placed on Iran by the US.

The International Monetary Fund still retained its forecast for 2018 and 2019 at 3.9%, supported by strong momentum, favorable market sentiment, accommodative financial conditions, and the domestic and international repercussions of expansionary fiscal policy in the United States.

GLOBAL GDP GROWTH

Source: IMF
1.1 UNITED STATES

Revised data from the Commerce department showed that the US GDP grew at a slightly lower rate than initially reported. The final estimate for the US GDP report came in at 2.0% for the first quarter of 2018, lower than the 2.2% in the previous estimate. This downgrade came on the back of weaker consumer spending and lower business inventory according to the Commerce Department.

The Q1 GDP might have come in lower than expected but most recent data point to a comeback by the domestic economy in Q2. The $1.5 trillion income tax cut package, which came into effect in January, is seen spurring faster economic growth in the second quarter, putting annual GDP growth on track to achieve the Trump administration’s 3 percent target.

The University of Michigan index of consumer sentiment for the US stood at 98.2 in June 2018, slightly above the 98 recorded in May. It is however slightly lower than the 101.4 recorded at the end of Q1. The less optimistic sentiment seen at the end of Q2 compared to Q1 was chiefly due to a less positive outlook on the economy growth and rising inflation.

Financial data firm Markit reported its final U.S. Manufacturing Purchasing Managers (PMI) Index at 55.4 in June from 56.4 in May. This reading pointed to the slowest growth rate in factory activities in four months. The effects of tariffs were widely cited as contributing to the sharp rise in input prices.

The unemployment rate was reported at 4% at the end of the June 2018 according to the Bureau of Labour Statistics. It is slightly lower than the 4.1% recorded at the end of Q1’18 but higher than the 3.8% of the prior month. Unemployed person increased by 499 thousand to 6.6 million.

The US recorded the highest rate of inflation in June since 2012. It was reported at 2.9% slightly higher than 2.8% recorded in May. The rise in prices was brought on by higher prices of food, medical services, gasoline and fuel oil.

The US Federal Reserve increased its target range for the federal rate funds to a range between 1.75% and 2% during its June meeting. Its reasons for the hike is that the labour market has strengthened and that economic activity has been rising at a solid rate. The Federal Reserve committee hinted at two additional hikes this year.
Retail sales – a measure of consumer spending at stores, restaurants and websites – rose by 0.5% in June after a 1.3% gain in May. Sales were boosted majorly by increases in purchases of motor vehicle, gasoline, building materials, and online & mail order retail trade.

The economy looks set to record its best performance in over three years in the second quarter of 2018, fueled by recent tax cuts and strong customer dynamics. However we might see some drag as the economy looks like it has reached its peak as mounting trade concerns heighten its outlook. President Donald Trump’s “America first” policies may be casting a pall over the economy’s prospects as it is see engaging in tit-for-tat trade tariffs with its major trade partners, including China, Canada, Mexico and the European Union, which analysts fear could disrupt supply chains and undercut business investment and potentially wipe out the fiscal stimulus. The uncertainty that comes with trade tensions and tariff measures will likely drag on growth going forward, particularly if the U.S. administration goes ahead with tariffs on USD 200 billion of additional Chinese goods, as unveiled on 10 July. Notwithstanding, domestic momentum should continue to carry the economy over the short term.

The US economy is estimated to have grown by 4.1% in Q2, and the pace of expansion is forecast to decline slightly to 3.1% in Q3 2018.

**GDP Growth Rate & Forecast – United States of America**

![GDP Growth Rate Chart](source:Bloomberg)
GLOBAL ECONOMY
UNITED STATES/EURO AREA (Euro Area)

1.2 EURO AREA

According to European Statistics Agency’s (Eurostat) final estimate, real GDP growth came in at 0.4% quarter-on-quarter (q-o-q) in Q1 2018. A decrease from 0.7% recorded the previous quarter. The slowdown in the bloc’s economy was due to negative contribution from external demand. However positive contribution to the GDP came from household final consumption expenditure, inventory changes, construction and gross fixed capital formation.

Labor market conditions remained broadly unchanged in the month of May. Unemployment rate remained steady at 8.4% same as previous month’s figure. The number of unemployed people fell to 13.66 million. It remains the lowest level since December 2018 as the number of unemployed continued to decline.

Manufacturing activity in the Eurozone fell in June as reported by data firm IHS Markit. Eurozone Manufacturing PMI declined to 54.9 in June, from the 55.5% reported in May. A major reason of the steady decline since February is the decrease in export orders.

Eurozone inflation for June was confirmed at 2%, slightly higher than 1.9% recorded in the prior month. The pressure on prices came from energy, food and services. Annual core inflation, which excludes volatile prices of energy, food, alcohol and tobacco was revised to 0.9 percent.

Economic Sentiment Indicator (ESI) in the Eurozone fell in June as consumers and managers in the construction sector become more pessimistic. The European Commission’s Economic Sentiment Index slipped to 112.3 from 112.5 May. This suggests a cooling off of the Eurozone economy in the second quarter of 2018.

Loans to household in the Eurozone increased by 2.9% in June 2018, the same pace as the prior month. Credit to non-financial corporations advanced 4.1%, higher than the 3.7% in May. Private sector credit growth including households and non-financial corporations went up by 3.1%, slower than 3.5% in May. Despite the noticeable recovery in bank lending from the 2014 low, lending rates have remained well below crisis level.
At its June 14th meeting, the European Central Bank (ECB) left its benchmark interest rate unchanged at 0%. The bank said it will reduce the monthly pace of the net asset purchases from €30 billion to €15 billion from September to December 2018. It also said that it expects key interest rate to remain steady for the next one year.

The economy appears to be on steady footing, however the political environment within the Eurozone is a cause for concern. Trade concerns also exist with the US - its biggest trading partner - as President Trump threatens to impose tariffs on Eurozone manufactured automobiles. The economy is expected grow further supported by strong domestic fundamentals while slower export growth will dampen the pace of activity.

The Eurozone is expected to have grown at a rate of 2.2% in quarter 2 2018.
1.3 BRICS

Brazil

The Brazilian economy continued on its path to positive growth in the first quarter of 2018, albeit slightly lower than the growth seen in the prior quarter. The economy advanced by 1.2% year-on-year in Q1 2018, after a 2.1% rise in the last quarter of 2017. It was the slowest rate of expansion since second quarter 2017 as fixed investment and exports grew less and government spending narrowed further.

Economic data however took a turn for the worse following a nationwide truckers’ strike in May and early June that crippled economic activity. The strike and related spillover effects are expected to have dented GDP growth in the second quarter, following a slowdown in activity in the first quarter of the year.

The IHS Markit Brazil Manufacturing PMI dipped to 49.8 in June 2018 from 50.7 in the May. This is the first contraction in factory activity since March 2017. Output and new orders decreased for the first time in 16 months, hit by truck drivers’ protests, which prevented delivery of required inputs.

Business sentiment also deteriorated in June according to the Getulio Vargas Foundation’s (FGV, Fundacao Getulio Vargas). Business confidence index fell to 100.1 points in June from 101.1 points in May but still remains above 100-point threshold that separates optimism from pessimism among businesses. The fall was driven by a more downbeat outlook on the current economic situation and negative impact of a trucker strike in May.

Brazil’s unemployment rate fell to 12.4% in the second quarter of 2018, with 12.96 million workers unemployed. This is slightly below the 12.6% seen in the first quarter, according to data from the Brazilian Institute Geography and Statistics Institute (IBGE). This is the third consecutive time the economy is witnessing a decline in the unemployment rate as 657,000 jobs were added bringing employment figures to 91.24 million.

Consumer price index climbed to 4.39% in June, 1.53 percentage points higher than what was recorded the previous month. It is the highest level seen in 15 months and is due to persistent currency weakness. Higher prices were seen in food and beverage, housing, transport and household goods.
The Central Bank of Brazil retained its interest rate during their last meeting in June 2018. This is the second time rates were retained after 11 straight cuts which ended in the first quarter of the year. The decision was made in order to control inflation as well as improve economic growth.

Trade surplus in Brazil tapered 18% to $5.8 billion in June 2018 from $7.2 billion a year ago. Exports rose to 2.1% year-on-year to $20.20 billion in June from a slump of 2.8% in May 2018. Imports surged 13.7% year-on-year to $14.32 billion.

October’s elections are also coming into focus, and the lack of a strong centrist and reform-minded contender is casting a shadow on the country’s future and reverberating through financial markets.

The economy is expected to decline caused by the truckers’ strike, less supportive external environment due to tighter global financial conditions and higher oil prices.

GDP is expected to rise by 1.5% in Q2 2018 and higher to 2.0% in Q3 2018.
Russia’s gross domestic product grew by 2.5% year-on-year in the second quarter of 2018, an improvement from 1.3% reported in the previous period. This was recorded as Russia’s best annual growth rate since Q3 2012. The expansion was mainly due to an uptick in the growth of the construction and industrial sector.

Russian Manufacturing PMI contracted to 49.5 from 50.5 at the end of Q2 2018, a decline by 1.98%. This was majorly driven by decline in employment and shrinking of new orders for the first time since July 2016.

The current account surplus widened to $22.3 billion in the second quarter of 2018 from $1.9 billion in the same period of the previous year, a preliminary estimate showed.

Global ratings agency, Fitch, in February retained the country’s credit ratings at BBB- with a positive outlook citing the continual progress in strengthening its policy framework underpinned by a more flexible exchange rate, strong commitment to inflation targeting and a prudent fiscal strategy. Meanwhile, Standard & Poor’s upgraded Russia’s foreign currency sovereign rating to BBB- from BB+ stating the rebound in oil prices, moderate expansion of domestic demand backed by gradual monetary easing and global economic upswing as the reason for the improvement. Moody’s, also reported Russia’s credit rating as ba1 (positive) in Q2 2018.

Russia’s inflation rate improved by 4% to 2.3% in the second quarter of 2018 from 2.4% which ended first quarter of 2018. The slide in food prices supported this improvement in inflation rate.

The key interest rate remained steady at 7.25% in the second quarter of 2018, unchanged from quarter 1 2018. This is in line with Russia’s annual inflation which remained within 3.5%-4%.

The economy should remain on a moderate growth path thanks to improved inflation, steady interest rates, and relatively helpful monetary policy. Growth stood at 2.5% in Q2 2018 and is projected to be 1.9% in Q3 2018.
India's real GDP growth was revised to 7.7% from 7.2% year-on-year in the first quarter of 2018. This was majorly driven by higher growth in manufacturing, the farm sector and construction.

The inflation rate in India edged up to 5% in June of 2018 from 4.87% in May, being the highest rate since January. The inflation spike was majorly driven by higher fuel prices, depreciating rupees and increase in prices of non-alcoholic beverages, pulses and products.

The Nikkei Manufacturing Purchasing Managers Index (PMI) in India rose to 53.1 in June from 51.2 in May, and a 4% increase in the PMI from the preceding quarter in 2018. This also marked the fastest improvement since December 2017 steered by rise in domestic and export orders.

Indian trade balance remained negative as its trade deficit soared to $16.6 billion in June 2018 from $13.69 billion in Q1 2018.

India is globally rated as BBB-(Stable) by Fitch rating agency as at April 2018.

The Reserve Bank of India raised interest rate for the first time in over four years by 25 basis points to 6.25% in June, 2018. The decision is in tandem with the aim to strike a balance between recovery and rising inflationary pressures.

Economic growth is expected to be dip slightly owing to economic pressures, deficit trade balance despite the rise in the Purchasing Managers Index. The Indian economy is estimated to have grown 7.5% in Q2 2018 and is forecast to expand 7.4% in Q3 2018.
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SPEED SERVICE SECURITY
China's gross domestic product (GDP) slid marginally to 6.7% in Q2 2018 from 6.8% in Q1 2018.

Fixed asset investment growth for the first half of 2018 was a record low at 6.0% from a year ago, while industrial output for June matched the slowest growth rate in over two years at 6.0%, according to Reuters’ records.

Trade Balance in China narrowed to $41.61 billion in June 2018 in comparison with the same month a year ago ($42.79 billion) as exporters were rushing shipments before US tariffs went into effect. Imports rose by 14.1% year-on-year to $175.1 billion while exports grew by 11.3% year-on-year to $216.7 billion. China trade surplus stood at $41.61 billion in Q2 2018 from $37.72 billion in Q1 2018 depicting a 10.3% increase in trade balances.

China’s credit rating remained unchanged as A+ (Stable) from Fitch in Q2 2018.

Consumer price inflation recorded a rise to 1.9% year-on-year in June 2018 from 1.8% the previous month. This showed an improvement compared to 2.1% in Q1 2018. Prices of food grew at a faster pace and there was an increase in cost of non-food products.

Official PMI for China fell to 51.5 in June 2018 from 51.9 in the prior month. This is as a result of soft pace growth in output and new orders and decline in exports.
The economy is expected to sail on a moderate to low growth trajectory due to the narrowed favourable trade surplus, increase in inflation and drop in fixed investment growth. Growth fell to 6.7% in Q2 2018 with a 6.5% forecast in Q3 2018.

South Africa

The South African economy contracted by 2.6% year-on-year in the first quarter of 2018, easing from a 1.5% expansion in the previous period and below market expectations of 1.9 percent. It was the weakest growth rate since the second quarter of 2016, mainly due to a contraction in agriculture, forestry and fishing activities and mining.

The ABSA Manufacturing PMI for South Africa fell further to 47.9 in June of 2018 from 49.8 in the previous month. The reading pointed to the second consecutive contraction in factory activity, as new orders, business activity and employment declined. In comparison to the prior quarter, this was a contraction by 6% from 51.1.

The South African inflation rate fell to 4.4% in May of 2018 from 4.5% in the previous month. The slowdown in inflation rate was mainly due to lower prices of food and non-alcoholic drinks.

South Africa trade surplus increased to ZAR 12 billion in June 2018 from ZAR 13.84 billion in the preceding month. This was attributable to increase in export of precious metals, base metals and transport equipment and so on. Exports soared 7.1% to ZAR 110.1 billion while imports dropped by 0.9% month-on-month to settle at 98.1 billion in May 2018.
The Monetary Policy rates of the South Africa Reserve remained unchanged at 10% in June.

South Africa’s unemployment rate came in at 26.7% in the first quarter of 2018, unchanged from the previous period. The number of unemployed increased by one hundred thousand to 5.98 million and the number of employed rose by two hundred and seven thousand to 16.38 million.

Global ratings agency, Moody’s set South Africa’s credit rating one notch above junk but changed the outlook to stable in March 2018. The agency also warned that should government’s commitment to, or capacity to engineer, revive growth and debt stabilisation falter, the move would be reversed. Moody’s however maintained the nation’s local- and foreign-currency assessments at Baa3 and Fitch, kept South Africa credit rating at BB+ (Stable).

The economy is expected to pick up in the forthcoming quarter as a result of improved inflation rate, relatively stable credit rating and uptick in trade surplus. The economy is estimated to have grown at 1.6% in Q2 2018 and projected to be 1.7% in Q3 2018.

**GDP Growth Rate & Forecast – South Africa**

![GDP Growth Rate & Forecast - South Africa](chart.png)

Source: Bloomberg
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*SPEED SERVICE SECURITY*
Below is a snapshot of the domestic economy in Q2 2018.

**2.1 GDP GROWTH**

Nigeria’s recovery stalled in Q1’18, with growth edging down after hitting a two-year high in Q4’17. Real gross domestic product (GDP) expanded by 1.95% year-on-year in Q1 2018, a decline of 0.16% compared to the upwardly revised Q4’17 figures (2.11%). The slowdown in growth is attributed to the decline recorded in the non-oil sector, notably the trade and construction sectors.

The oil sector recorded a positive growth of 14.77% year-on-year in Q1’18, higher than 11.20% recorded in Q4’17. The increase in growth emanated from the rise in oil production levels in Q1 to 2.0 Million Barrels Per Day (mbpd) from 1.95 mbpd in the prior quarter, as well as relatively higher oil prices during the quarter which held above $70 per barrel.

The non-oil sector contributed 90.39% of real GDP in Q1’18, lower than 92.65% in Q4’17. The sector grew by a slower 0.76% in Q1’18 compared 1.45% in Q4’17.

The International Monetary Fund (IMF) retained forecasts for Nigeria’s Gross Domestic Product (GDP) of 2.1%, but upgraded its forecast for 2019 to 2.3% citing improved crude oil prices.
2.2 INFLATION

Inflation rate continued its steady decline in the second quarter of the year supported by stability in food prices. Headline inflation moderated for the seventeenth consecutive month to 11.23% year on year (y-o-y) in June from 11.61% in May 2018.

The slowdown in inflation was broad-based. The biggest contributions to the reduction in inflation in June came from easing food price pressures. Food inflation edged lower by 47bps to record 12.98% y-o-y compared to May’s 13.45% y-o-y.

Core inflation, which excludes farm produce similarly trended lower by 32 basis points (bps) to 10.39% y-o-y in June. The highest price increases were seen in hairdressing saloons and personal grooming establishment, vehicle spare parts, fuels and lubricants for transport equipment, books and stationaries, domestic and household services, hospital services, paramedical services, dental services and maintenance and repair of personal transport equipment.
2.3 MONETARY POLICY

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) in its second meeting held on the 21st and 22nd of May 2018 left all rates unchanged, meeting market expectations. The monetary policy rate remained at 14.0%. The asymmetric corridor remained at plus 200 and minus 500 basis points around the monetary policy rate. Similarly, the Committee left the liquidity ratio unchanged at 30.0% and the cash reserve ratio stable at 22.5%.

The decision to retain the rate was based on factors such as a forecast of high liquidity injection in the second half of the year, driven largely by expectations of substantial expansionary fiscal policy.
Nigeria's unemployment rate deteriorated to 18.8% in the third quarter of 2017 from 16.2% in the second quarter of 2017, according to the latest report on unemployment published by the National Bureau of Statistics (NBS). The NBS said the number of people within the labour force who were unemployed increased to 15.9 million in the third quarter from 13.6 million in the second quarter of the year, with more than two million people unemployed within the period.

Similarly, the number of underemployed increased to 18.0 million in Q3 2017 from 17.7 million in Q2 2017.

The increasing unemployment and underemployment rates could be attributed to Nigeria’s fragile economy despite the exit from recession. The domestic labour market is still fragile and economic growths in the past two quarters in 2017 have not been strong enough to provide employment in Nigeria’s domestic labor market.
**UNEMPLOYMENT RATE TREND (%)**

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<td>2025</td>
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Source: NBS

**2.5 EXTERNAL RESERVES**

The nation’s foreign exchange buffer added $1.53 billion or 3.3% in the second quarter of 2018, growing to $47.79 billion as at June 29, 2018, from $46.26 billion as at May 29, 2017.

Relative stability in the oil producing regions, steady rise in global oil prices, improvement in diaspora remittances and establishment of the Investors and Exporters Foreign Exchange Window by the CBN in April 2017 have continued to support the significant growth in the country’s external reserves.

Oil prices have been relatively higher at $75.68 per barrel in the second quarter of 2018 compared to Q1 2018 ($65.86 per barrel) and have thus supported the steady rise in foreign exchange reserves.
2.6 EXTERNAL TRADE

Nigeria’s external trade for Q1’18 stood at N7.21 trillion from N6.02 trillion. This represents a 19.74% or N1.19 trillion quarter-on-quarter (q-o-q) increase. Total exports value grew by 20.02% q-o-q and 56.01% y-o-y to N4.69 trillion similarly, total imports value edged up 19.22% q-o-q and 8.04% y-o-y to N2.52 trillion. Driven by growth in exports as well as imports, Q1’18 balance of trade remained strong, climbing significantly by 20.95% q-o-q to N2.2 trillion in March 2018 from N1.8 trillion in the previous period.

The Netherlands topped the list of major export trade partners with about 20.5% contribution to our total exports. On the other hand, China, soared as the major import trading partner to Nigeria with a share of 21.1% of total imports.
2.7 EXCHANGE RATE

Naira remained relatively stable in the second quarter of 2018 due to the Central Bank’s market interventions and improved liquidity.

The local unit ended the last trading day of the quarter at N344.94/$ in the Nigerian Inter-bank foreign exchange fixing (NIFEX) market, a depreciation from Q1 2018 at N336.16/$.

The NGN depreciated slightly in the Investors & Exporters (I&E) window to N361.1/$ on June 22nd compared to N359.83/$ as at March 29th.

The depreciation pressures witnessed in this market window stemmed from rising risk-averse sentiment on emerging frontier markets following the trade tensions and US Fed interest-rate hike.

On the parallel market, the naira remained unchanged at N362/$ as at June 29th 2018. Although the parallel market rate was virtually unchanged at N362/$ between March 2018 and June 2018, it has experienced a marginal increase in volatility (366 on 28 May; 362.0 on 29 June) amidst rising US treasury yields.
2.8 STOCK MARKET

The Nigerian Stock Exchange (NSE) begun the year 2018 on a positive note but swung into bearish territory shortly after the directive of the apex bank on non-payment of dividends for banks with high Non-performing loans (NPLs) and low Capital Adequacy Ratio (CAR). The NSE All-Share Index ended the second quarter of 2018 falling by 7.8% to 38,278.55 index points from 41,505 points in March. Meanwhile, Market capitalization declined by 7.5% to close at N13.87 trillion relative to N14.99 trillion recorded in March. This was attributable to the weigh down by existing Foreign Portfolio Investments seeking higher risk-adjusted income triggered by rising US treasury yields.

Total foreign portfolio investment into the country as at March 2018 stood at $4.57 billion.
The Nigerian Stock Exchange (NSE) report titled “Domestic & Foreign Portfolio Investment” for the month of June 2018 reported that the total transactions at the nation’s bourse dropped during the month by 41% to N187.78 billion from N318.27 billion recorded in May 2018. Total foreign transactions outperformed domestic transactions by 9.07%. However there was a decrease in total foreign inflow to N47.96 billion in June 2018 from N62.06 billion in May 2018. Similarly, foreign outflows reduced by 58.40% to N54.45 billion from N130.89 billion.

Source: NSE

The Nigerian Stock Exchange All Share Index and Market Capitalization

Source: NSE

Domestic & Foreign Portfolio Participation in Equity Trading

Source: NSE
2.10 SOCIO-ECONOMIC LANDSCAPE
The socio-economic scene witnessed several developments, notably:
In April, the President gave consent to the release of $1bn from the Excess Crude Account to fight rising insecurity across the country. The Minister of Defence, made the disclosure after a meeting of the president with security chiefs at the State House. He told journalists that the president recently approved the use of the money for the purchase of military equipment.

On May 16th, the senate passed the 2018 budget N9.21 Trillion following the consideration and adoption of the Budget of Consolidation report laid on the floor of the upper legislative chamber. This came 6 months after the budget document was presented to a joint session of the National assembly in November. The budget passed is N508 billion more than what was presented by the President.

In June, the World Bank announced its approval of $2.1 billion as project support loan for Nigeria. The concessionary loan is to support the funding of seven projects in key sectors of the country. The seven projects include nutrition, access to electricity, states’ fiscal transparency, polio eradication, women’s economic empowerment, public finance and national statistics and reducing vulnerability to soil erosion.

Also in June, the governors of the 36 states resolved to engage the nation’s security chiefs in a decisive talk to find solution to the spate of killings and destructions by criminal gangs masquerading as herdsmen. In a communique issued at the end of its meeting that lasted for several
hours, the Forum strongly condemned attacks in Plateau State and the spate of insecurity in the country.

2.11 FINANCIAL SECTOR DEVELOPMENTS
Among others, the following were some of the developments in the financial sector in the second quarter of 2018.

In April, CBN issued new regulatory framework for Unstructured Supplementary Service Data (USSD) transactions. It stated that bank customers will not be able to use the USSD code to transact more N100,000 per day and they would also have pin and soft token to authenticate transaction above N20,000. Banks have also been instructed to allow customers the option to opt out of USSD financial transactions. This circular is expected to take effect June 2018. Also in April, CBN rolled out tougher punishment for Anti-Money Laundering and Combating the Financing of Terrorism (administrative sanctions) which stipulates fines on banks, their directors and other key official for 48 money laundering crimes. This is an enhancement of the old regime which only states sanctions for financial institution. According to CBN, banks and board members or chief compliance officers will all be sanctioned for 31 out of the 48 money laundering infractions listed in the new regime. The new regime stipulates fines ranging from N500,000 to N1.2 million on board members or chief compliance officers or the internal auditor, and fines ranging from N1 million to N20 million on the offending bank.

In May, the Central Bank of Nigeria (CBN) directed the nation’s Deposit Money Banks to pledge N1 billion worth of government securities in their portfolio to participate in the Over-The-Counter (OTC) trade settlement.

In June, CBN issued regulations for transactions with authorised dealers in Renminbi. This is following a $2.5 billion bilateral currency swap agreement signed between the Central Bank of Nigeria (CBN) and the People’s Bank of China (PBoC). The Bilateral Currency Swap Agreement (BCSA) is for a maximum of 15 billion Yuan or N720 billion with a three-year tenor. The circular stated that The CBN may conduct bi-weekly Renminbi bidding sessions and for an authorised bank to access the bi-weekly auction of the Chinese currency that such dealers “shall open Renminbi accounts with a correspondent bank and advise the CBN with
its Renminbi account details which may either be with a bank onshore or offshore China”. The Renminbi sales would be applicable only to trade-backed transactions.

Commencement of CRMS Compliance Status Checks which is to ensure that total loans/advances/credits reported on FiNA or any regulatory platform for such submissions of returns must match total value of credit/exposures reported in the CRMS also took place in June 2018. All banks are advised to ensure that not later than the eight day in the new month, live CRMS records are updated to ensure their totals match the FiNA month end returns.
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Outlook for Q3 2018 and Beyond

- The rise in global oil prices has pushed landing cost to as high as N171, far higher than the enforced fuel price of N145/per litre. This can lead to fuel scarcity and also put pressure on inflation.

- Increasing oil prices seen in the global economy is expected to continue and will support further growth in the economy.

- The normalization of monetary policy in the United States and other advanced economies is expected to continue and this will put pressure on investment inflows in the Nigerian economy.

- Capital outflows from the economy, in conjunction with high demand for Forex might likely cause a negative turnaround in the Nation’s FX reserves.

- The naira is expected to remain stable in most markets as the CBN continues its intervention in the forex market.

- Increasing political tension will also dampen expected foreign investment in the country as political crisis breeds higher risk to investors.
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