

ACCESS
ECONOMIC QUARTERLY
Q1 2018



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ACCESS ECONOMIC QUARTERLY

Q1 2018



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1.0

GLOBAL ECONOMY

GLOBAL ECONOMY



The global economy continued on its path to a sustained and harmonized expansion in the first quarter of 2018. Price stability, improved confidence among enterprises in the hope of tax reforms and finance stimulus from the new US administration, in addition to cyclical recovery in Europe and China's growth stimulus policy have all contributed to the higher growth seen so far in the year 2018.



The JPMorgan PMI, compiled by IHS Markit from its various national surveys posted 53.4 in March 2018, slightly down from 54.1 in February and its lowest reading since October 2017. The average level over the opening quarter as a whole (54.0) was nonetheless unchanged from the prior quarter.



The WTO's latest World Trade Outlook Indicator (WTOI), released in February, suggests that the trade recovery of 2017 should continue, with solid trade volume growth in the first quarter of 2018. The WTOI's current value of 102.3 is little changed from the 102.2 recorded last November, indicating steady merchandise trade volume growth. Strong results for air freight, container shipping and export orders in particular suggest that, while the trade recovery may moderate in due course, it will likely continue in the coming months and remain above trend.



Brent crude, the global crude benchmark, closed at \$70.27 at the end of March 2018 - the highest level in more than three years. The strength in crude oil price was largely due to declining global inventories despite strong U.S. shale production. A number of geopolitical concerns ranging from Venezuela's collapse to potential sanctions on Iran to possible flare-up of the conflicts in Syria and Yemen also drove prices higher. Oil prices are likely to remain elevated, buoyed by tightening supplies and continued support from oil cartel OPEC and its allies on supply cuts.

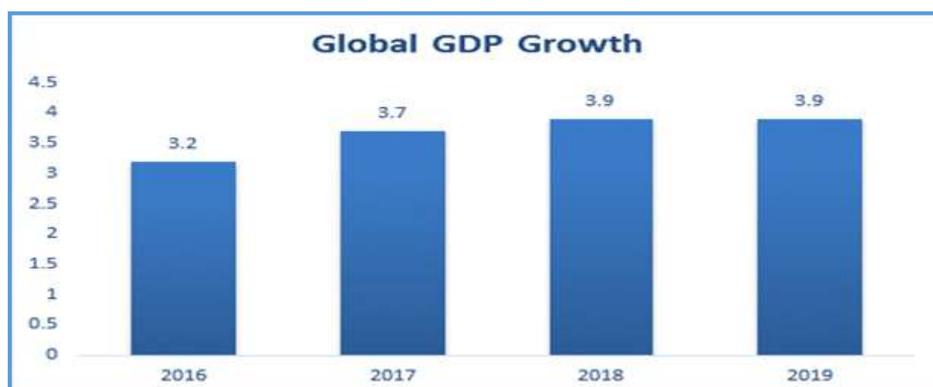


The International Monetary Fund lifted its forecasts for global growth in its World Economic Outlook report published in January. It reported an upsurge in global economic activity and Donald Trump's tax cuts in the US are likely to stimulate activity further. It says the growth momentum is expected to carry into 2018 and 2019, and it has revised upwards its global growth forecasts by 0.2 percentage points for both years, from 3.7% to 3.9%. It however warned that growing financial vulnerabilities could derail its forecast as well as trade



GLOBAL ECONOMY

barriers coming from poorly executed trade renegotiations between the UK and the rest of the EU, and between the US, Canada and Mexico.



Source: IMF



1.1 UNITED STATES

The Bureau of Economic Analysis (BEA) in its final estimate of the US fourth quarter gross domestic product (GDP) 2017, revealed that the economy grew at a slower pace of 2.9%. This was revised from a previous reported 2.5% and 0.3% lower than the 3.2% recorded the prior quarter. Full year growth was 2.3%, faster than the 1.5% growth recorded in 2016.



According to the Bureau of Labor Statistics, the unemployment rate remained unchanged at 4.1% by the end of the first quarter. Inflation rate increased to 2.2% year-on-year in February 2018, 0.1% higher than the rate in January. This was spurred by increases in the price of fuel oil, transport services, energy, gasoline and utility piped gas services.



The US Federal Reserve, in March, raised its key interest rate by a modest quarter-point to 1.75% from 1.5%. The Federal Reserve also said it will keep shrinking its bond portfolio and hinted at 2 more hikes in 2018.



Retail sales in the U.S rebounded in March after three straight months of declines. Sales increased 0.6% compared to 0.1% dip in February. This sales were largely purchases of automobiles and other big ticket items by households.

GLOBAL ECONOMY

UNITED STATES/EURO AREA



Consumer sentiments was revised lower to 101.4 in March from an initial 102 estimate. The University of Michigan however stated that it is the strongest reading since January 2004. This revision was caused by uncertainty about the impact of the proposed trade tariffs.

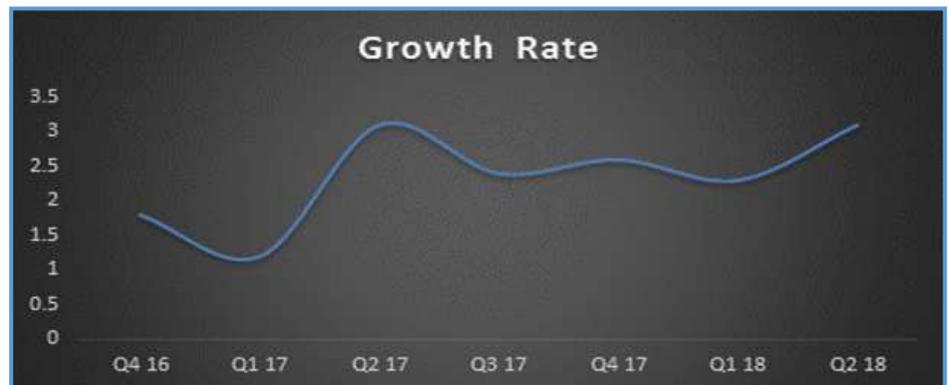


Economic activity in manufacturing sector improved slightly in March according to the IHS Markit final US Manufacturing Purchasing Managers' Index (PMI). March index reading was recorded at 55.6 up from 55.3 in the previous month.



The economic expansion is projected to continue in 2018 and 2019. Buoyant asset prices and strong business and consumer confidence will support consumption and investment growth. In Q1 2018, the US economy is estimated to have grown by 2.3%, and the pace of expansion is forecast to pick up slightly to 3.1% in Q2 2018.

GDP Growth Rate & Forecast – United States of America



Source: Bloomberg



GLOBAL ECONOMY

UNITED STATES/EURO AREA



1.2 EURO AREA

Year-on-year, the Eurozone economy expanded 2.7%, same as previous quarter.



Unemployment rate in the Eurozone edged down to 8.5% in February 2018 from 8.6% recorded in January and 9.5% from the same period last year. It is the lowest jobless rate recorded in the past 9 years.

The IHS Markit Eurozone Manufacturing PMI stood at 56.6 in March, below the February reading of 58.6. It is the weakest pace of expansion in the manufacturing sector since July 2017. The average PMI reading over the first quarter as a whole was 58.2 which still signals a positive business activity in the Eurozone.



Inflation in the 19-member currency union picked up to 1.4% in March after a series of declines for three consecutive months. This was spurred by the rise in prices of services, food, alcohol and tobacco. Annual core inflation which excludes volatile prices of energy and unprocessed food and tobacco remained unchanged at 1%.



The Eurozone Economic Sentiment Indicator (ESI) dropped to 112.6 from 114.2 March. This is caused by worries as trade war concerns take center stage, adding uncertainty to the outlook for businesses and the economy.



Lending to households in the 19- member currency bloc edged upward in March 2018. It rose 3.0% year on year, the strongest pace since February 2009. However, lending to private sector fell to 3.0% from 3.1% in February. The European Central Bank (ECB) held its benchmark interest rate steady at 0% during its last meeting held on the 8th of March 2018. The bank said it will continue its net asset purchase of 30 billion euros until September or as long as necessary.



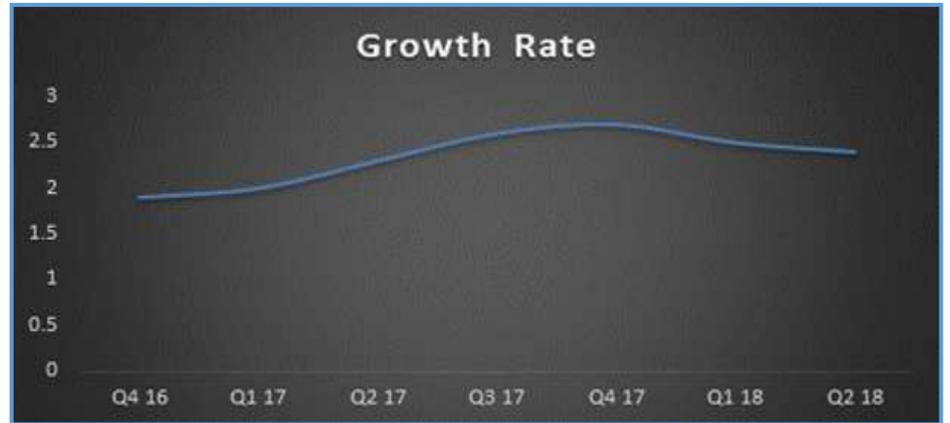
The economy appears to be on steady footing, supported by favorable financial conditions, healthy labor markets and buoyant global growth. Although rising trade protectionism and inconclusive national elections among member states remain risks to the common-currency bloc's outlook. Growth is estimated to have declined to 2.5% in Q1 2018. In Q2 it is forecast at 2.4%.



GLOBAL ECONOMY

UNITED STATES/EURO AREA (Euro Area)

GDP Growth Rate & Forecast – Eurozone



Source: Bloomberg

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



Source: Bloomberg



GLOBAL ECONOMY

BRICS

1.3 BRICS

Brazil



Data released by The Brazilian Institute of Geography and Statistics (IBGE) confirmed that economic recovery moved to higher gear in the final quarter of 2017. GDP rose 2.1% annually in Q4, the largest expansion since Q1 2014. It is 0.7% higher than third quarter figure. The full year figure was recorded at 1.05%.



The IHS manufacturing PMI rose to 53.4 in March 2018 from 53.2 in the previous month, the eighth consecutive expansion in factory activity and the strongest since September. Export orders posted their first gain in three months and new orders and output recorded the fastest increase since January 2013. Brazil manufacturing PMI averaged 52.6 in Q1 2018.



Business confidence stayed at a historically – high level, amid greater expectations of new products, better economic conditions and planned investments. The Getulio Vargas Foundation's (FGV, Fundacao Getulio Vargas) business confidence index rose from 100.4 points in February to 102.1 points in March, the best result since June 2013. According to FGV, firms were more optimistic on both the current and future economic situations in March.



The unemployment rate in Brazil rose to 12.6% in the three months to February 2018. This is 0.6% above the September-November 2017 period, according to data from the Brazilian Institute Geography and Statistics Institute (IBGE).



Inflation rate decreased to 2.68% year-on-year in March 2018 from 2.84% in February. It is the lowest inflation rate since September and remains below the central bank target range of 3-6%. This was majorly as a result of decrease in the price of food, non-alcoholic beverages and articles for residence.



The Central Bank of Brazil cut its key interest rate by 25 basis point to 6.50% in March. This came after a 25 basis point slash in February 2018. This the eleventh consecutive cut, bringing borrowing costs to the lowest in modern history amid below-target inflation and a gradually improving economy.

GLOBAL ECONOMY

BRICS



Brazil trade surplus decreased to \$6.28 billion in March of 2018 from \$7.14 billion a year ago. Imports surged 6.7% to \$13.81 billion while exports were barely unchanged at \$ 20.09 billion compared to March 2017.



On the political front, focus is on the October election, with the race wide open after the front-runner, former President Luiz Inácio Lula da Silva, was barred from running. The field is crowded with potential candidates, and a clearer view will emerge closer to August's deadline for candidate nomination.



In a vote of confidence, on 9 April, Moody's upgraded Brazil's outlook from negative to stable, stating that it expects new policymakers to approve needed reforms.



Economy is expected to gain traction throughout the year supported by moderate inflation, lower interest rate and a recovering labor market. GDP is expected to have edged downwards to 2.0% in Q1 2018 but is forecast to increase to 2.8% in Q2 2018.

GDP Growth Rate & Forecast – Brazil



Source: Bloomberg



GLOBAL ECONOMY

BRICS



Russia

Russia's gross domestic product grew by 1.7% year-on-year in the first quarter of 2018, easing from an upwardly revised 2.2% advance reported in the previous period. The weaker expansion was mainly due to a decline in manufacturing, mining and agriculture output.



Manufacturing PMI in Russia fell to 50.20 in Feb 2018 from 52.10 and Services PMI went up to 56.50 Index Points from 55.10 Index Points in Jan 2018. The Consumer confidence index remained -11 in q4 2017.



The surplus in the current account of the Russian Federation in the Q1 2018 period grew to \$28.8 billion against \$22.3 billion in the Q1 2017 period as a result of strengthened trade balance.



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.



Inflation fell further under Central Bank of Russia's 4% year-on-year (y-o-y) target. The rate began to steadily decline from a peak of 12.9% in 2015 to 5.4% in 2016.



The Central Bank of the Russian Federation (CBR) decided to cut the key interest rate to 7.25% from 7.75% at its meeting on 23rd March marking the fifth consecutive cut as inflation remains sustainably low.

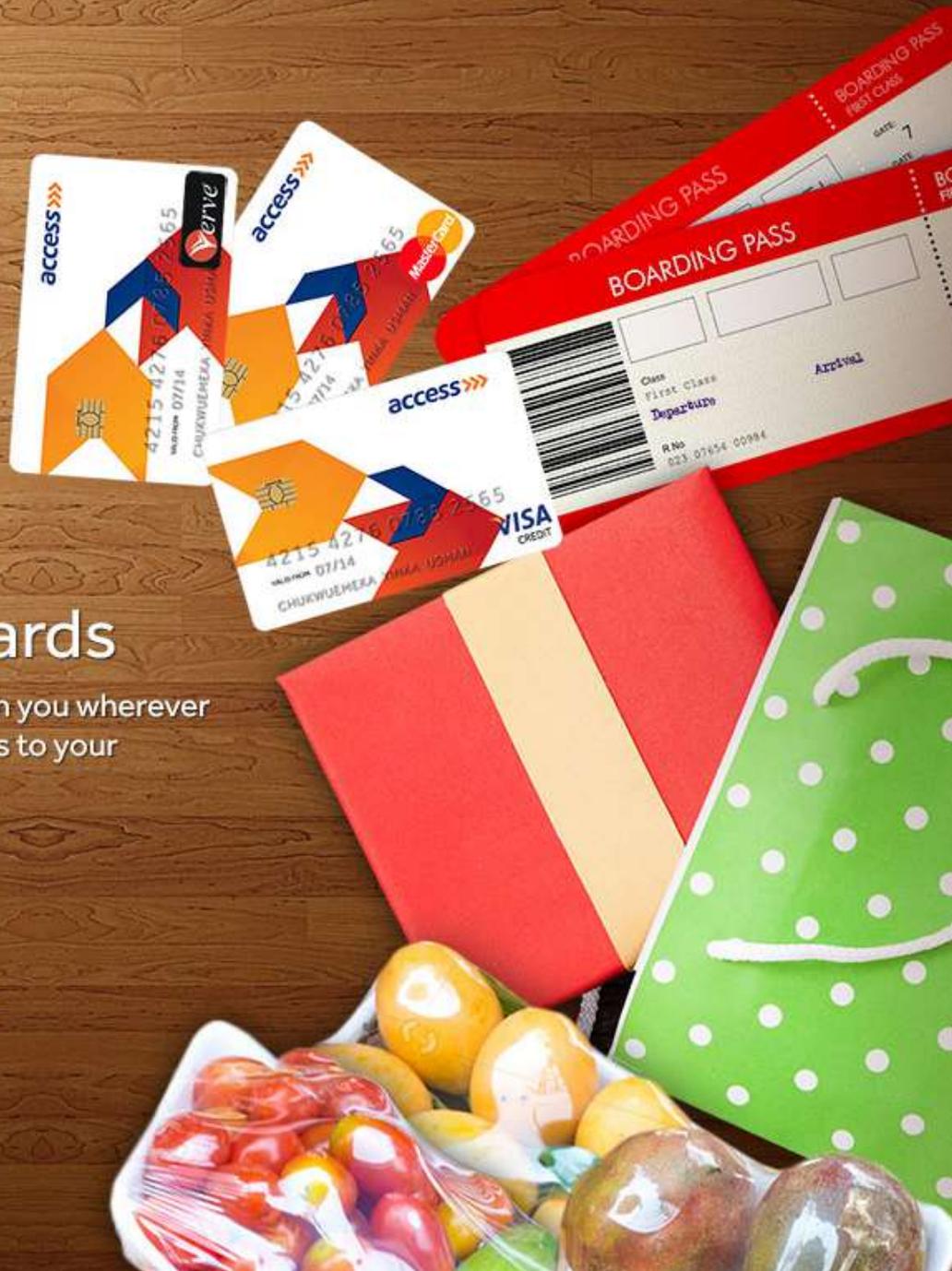


The economy should remain on a moderate growth path thanks to recovering confidence, low inflation, higher oil prices and looser monetary policy. However, fiscal tightening and constrained oil production will likely keep growth moderate overall. Growth is estimated at 1.7% in Q1 2018 and projected to be 1.8% in Q2 2018.



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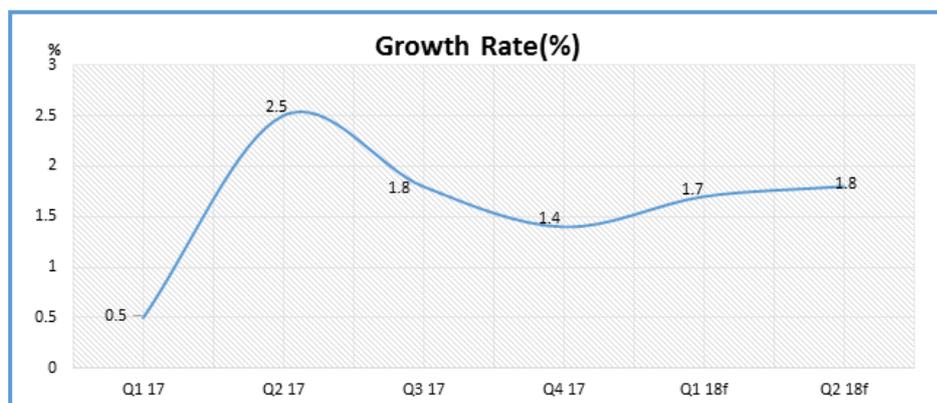
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Growth Rate & Forecast – Russia



Source: Bloomberg



India

India's real GDP growth advanced by 7.2% year-on-year in the first quarter of 2018. It is the strongest growth rate since Q3 2016 which was boosted by a rise in investment and public spending.



Indian consumer prices rose 4.28% year-on-year in March of 2018, following a 4.44% increase in February. It is the lowest inflation rate in five months amid a slowdown in food cost.



The Nikkei Manufacturing PMI in India fell to 51.0 in March of 2018 from 52.1 in the prior month as new export orders grew at a slower pace and sentiment remain below the series average. Average PMI for the quarter was 51.8.



Indian trade balance remained negative as its trade deficit widened to \$13.69 billion in March 2018 from \$10.65 billion a year ago. Imports jumped to 7.2% year-on-year to \$42.8 billion, while exports edged lower to 0.7% year-on-year to \$29.11 billion. For full year 2017, the trade gap expanded to \$156.83 billion from \$108.5 billion in full year 2016.



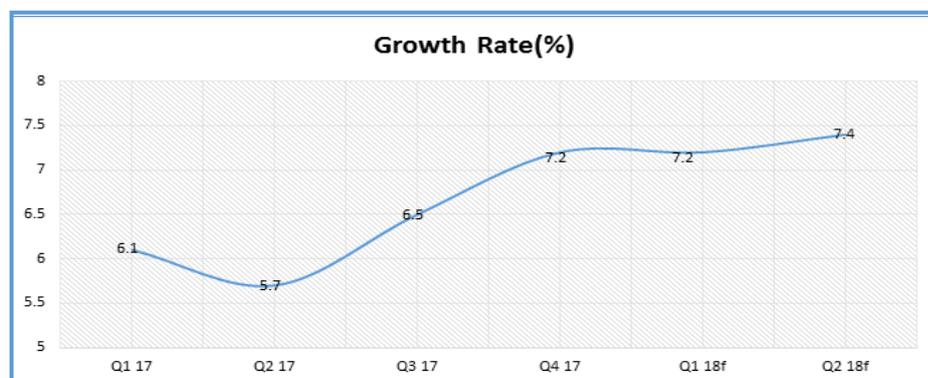
The Reserve Bank of India left its interest rate unchanged at 6% in February 2018. The decision is consistent with policymakers neutral stance on monetary policy aimed at achieving the medium-term inflation target of 2% to 6% while supporting growth.



Economic growth is expected to be driven by higher public capital spending and recovering business sentiment with a current GDP estimate of 7.2% in Q1 2018 and forecast of 7.4% in Q2 2018.



Growth Rate & Forecast - India



Source: Bloomberg



China

China's gross domestic product (GDP) remained unchanged in Q1 2018. It advanced by 6.8% year-on-year same as the last two quarters. It was boosted by solid consumption, property investment and exports according to the National Bureau of Statistics.



Fixed-asset investment increased by 7.5% year-on-year to 1,007.63 CNY billion in January to March of 2018, compared to a 7.9% rise in the first two months of the year. Public investment rose at a slower pace to 7.1% from 9.5% while private investment climbed to 8.9% from 8.1%.



China trade balance reported a deficit of \$4.98 billion in March 2018, compared to \$23.56 billion surplus in the same month of 2017. It is the first trade gap since February last year as imports rose while exports fell. Imports rose by 14.4% year-on-year to \$179.10 billion while export declined by 2.7% year-on-year to \$174.12 billion. China trade surplus fell to \$37.72 billion in Q1 2018 from \$49.12 billion in the Q4 2017 depicting a 23.2% reduction in trade balances.



Consumer price inflation declined to 2.1% year-on-year in March 2018 from 2.9% recorded the prior month. Prices increased at a softer pace for both food and non-food products.



Official PMI for China gained to 51.5 in March from 50.5 in February 2018. This growth came on the back of authorities lifting up winter pollution restrictions and steel mills increased production as construction activity swung back to positive gear.



GLOBAL ECONOMY

BRICS



The Chinese central bank's foreign exchange reserves stood at \$3.1428 trillion in March up from \$3.13 trillion recorded the in February.



As the economy successfully moves towards more sustainable growth levels, risks from a potential trade war with the U.S. are clouding the economic outlook for China. Moreover, tighter financial conditions to ensure they reduce financial leverage by paying off debt could dent domestic economic activity. Growth is estimated to marginally fall to 6.7% in Q1 2018 with a 6.6% forecast in Q2 2018.

Growth Rate & Forecast - China



Source: Bloomberg.



South Africa

The latest data suggests that the South African economy has turned a corner. National accounts data for the fourth quarter of 2017 surprised on the upside, with a sharp quarter-on-quarter expansion to 1.3% driven by private consumption and fixed investment. In January, manufacturing output expanded for the fourth consecutive month, recording its sharpest increase since June 2016. Survey-based data for February was equally positive; there was a notable jump in the Standard Bank PMI and strong business confidence.



The ABSA Manufacturing PMI for South Africa rose to 51.1 in March of 2018 from 51.4 in the previous month. The Manufacturing PMI climbed above 50 in February 2018, for the first time since May 2017. This was attributable to advances in the business activity index and new sales orders index.



GLOBAL ECONOMY

BRICS



The South African Chamber of Commerce and Industry's business confidence index fell to 97.6 in March of 2018 from 98.9 in the previous month. However, measured as Q1 2017, business confidence index in q1 2018 recorded an improvement. The rise in the First quarter confidence jump is driven more by the expectation that the recent (mainly) market-friendly political development will boost activity levels in future than an immediate improvement in the real economy.



The year-on-year inflation rate measured 4.4% in January 2018 before declining to 4.0% in February. The South African Reserve Bank's (SARB) measure of core inflation – which excludes food, fuel and electricity – remained unchanged at 4.1% in February. This was majorly driven by agriculture recovery following the drought of 2016, production in farming rose by 17.7%. Cyril Ramaphosa took over as head of the ANC in December and subsequently replaced Jacob Zuma as President, Ramaphosa has taken steps to change the direction of economic policy and implement a budget that will hike taxes to contain the bloated fiscal deficit and potentially help avert a credit rating downgrade.



Global ratings agency, Moody's kept South Africa's credit rating one notch above junk but changed the outlook to stable. The agency also warned that should government's commitment to, or capacity to engineer, revived growth and debt stabilisation falter, the move would be reversed. Moody's however maintained the nation's local- and foreign-currency assessments at Baa3

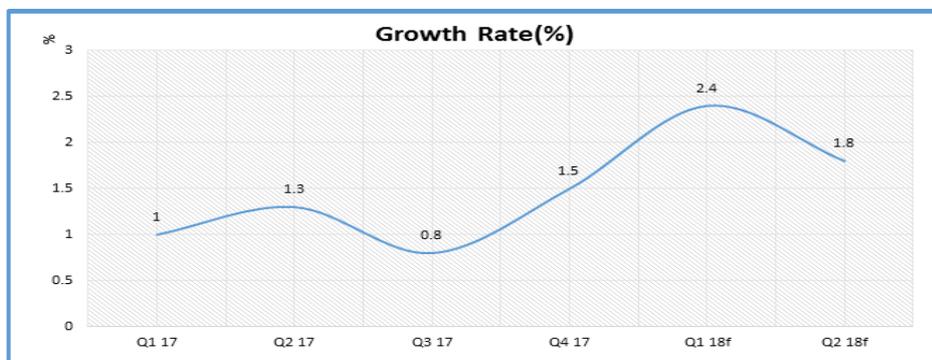


The economy is expected to recover in 2018 on higher prices for commodities. Growth, however, remains constrained as incessant political noise has stalled implementation of reforms and is weighing on consumer and business confidence. Further credit downgrades or lower prices for commodities could also dent growth. The economy is estimated to have grown at 2.4% in Q1 2018 and projected to be 1.8% in Q2 2018.



GLOBAL ECONOMY
BRICS

GDP Growth Rate & Forecast – South Africa



Source: Bloomberg.



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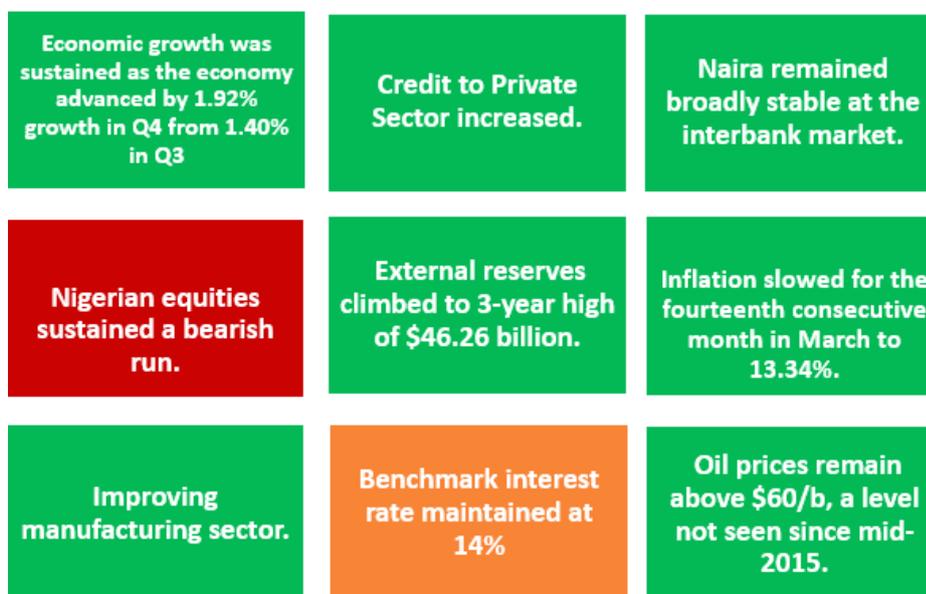
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2.0

THE NIGERIAN ECONOMY

THE NIGERIAN ECONOMY

Below is a snapshot of the domestic economy in Q1 2018.



2.1 GDP GROWTH



GDP grew by 1.92% y-o-y in Q4 17, relative to the growth of 1.40% y-o-y in the preceding quarter (Q3 17) and a 1.73% y-o-y contraction in the corresponding quarter of 2016 (Q4 16). Annual GDP growth rate for full-year 2017 stood at 0.83%, a contrast to the 1.58% contraction in 2016. The growth was driven by the relative stability in the Niger Delta region in terms of oil production as well as relatively high oil prices. It also stemmed from the improvement in the non-oil economy which expanded by 1.5% year-on-year following the previous quarter's negative contraction of 0.8%.



Oil production according to NBS averaged 1.91 million barrels per day (mbpd) in Q4'17, which is 0.12 million barrels lower than the daily average production in Q3'17 (2.03 mbpd). Oil production during the quarter was higher than the figure reported in the corresponding quarter of 2016 by 0.15mbpd when output was recorded at 1.76mbpd.



The non-oil sector which contributed 92.83% of real GDP in Q4'17 rebounded from negative territory in Q4'17. The sector grew by positive 1.45% in Q4'17 compared to a negative growth of 0.76% and positive 0.72% in Q3'17 and Q2'17 respectively. The expansion witnessed in the non-oil sector was largely driven by the growth in the sub-sectors in the manufacturing sector as well as the rebound experienced in other sub-sectors (Motor vehicle & assembly, trade and transport & storage) that were previously in recession.



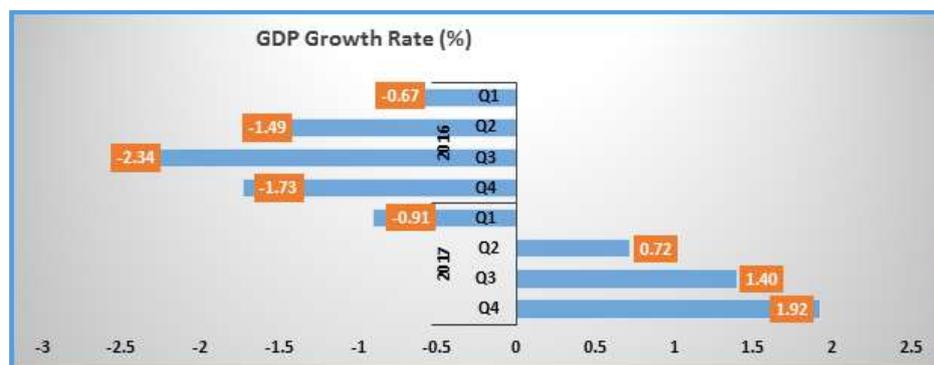
THE NIGERIAN ECONOMY



The International Monetary Fund (IMF) forecasts Nigeria's economy will expand by 2.1% this year from 0.83% in 2017 as the production of oil remains relatively stable, higher oil prices and rising external reserve continues to support growth, thus improving the supply of foreign currency needed to import factory inputs and fuel.



GDP Growth Rate – Nigeria



Source: NBS



2.2 INFLATION

Inflation rate slowed throughout 2017 and into the first quarter of 2018 due to the sustained recovery of the Nigerian economy. Headline inflation moderated for the fourteenth consecutive month to 13.34% year on year (y-o-y) in March from 14.33% in February 2018.

The moderation was driven by a slower increase in food inflation which rose by 16.08% y-o-y in March. The rise was caused by increases in prices of bread, cereals, oil & fats, vegetables and so on.



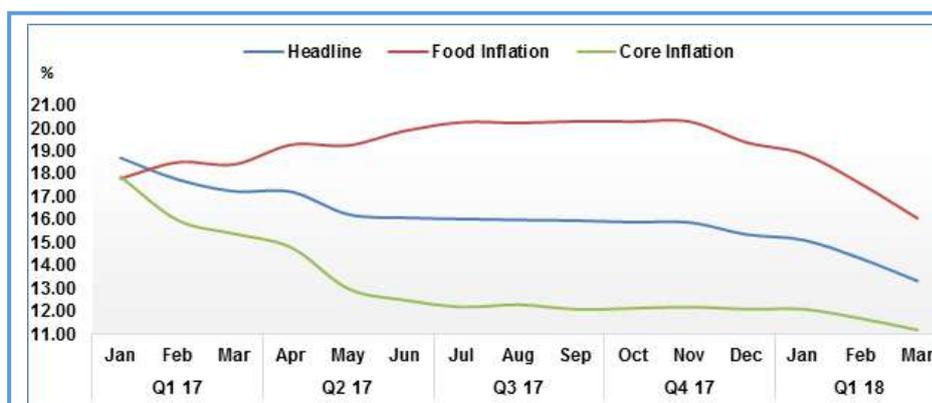
Core inflation dropped to 11.20% y-o-y during the review period from 11.70% in February 2018, with the highest increases reported in the prices of clothing materials, vehicle spare parts, fuel and lubricants for personal transport and transport equipment.



THE NIGERIAN ECONOMY



Inflation Year-on-Year



Source: NBS



2.3 MONETARY POLICY

The re-constituted Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) held its maiden meeting and the first in 2018 on Tuesday and Wednesday, April 3 – 4 and decided to leave all rates unchanged, meeting market expectations. The monetary policy rate remains at 14.0%. The asymmetric corridor remains at plus 200 and minus 500 basis points around the monetary policy rate. Moreover, the Committee left the liquidity ratio unchanged at 30.0% and the cash reserve ratio stable at 22.5%.



The MPC's decision to hold its tight monetary stance was targeted at curbing high price pressures in the improving economy. Despite moderating, inflation remains well above the Central Bank's target of 6.0%–9.0%, due to the stickiness of food prices. In the accompanying statement, the MPC reiterated that loosening "may lead to a rise in consumer prices, generating exchange rate pressures on the currency in the process."



Looking ahead, the MPC reaffirmed its commitment to price stability which would be conducive to sustainable and inclusive growth. With inflation projected to continue its descent in the next quarter and the improving macro environment, the Bank's preferences are likely to swing more towards a rate cut going forward.

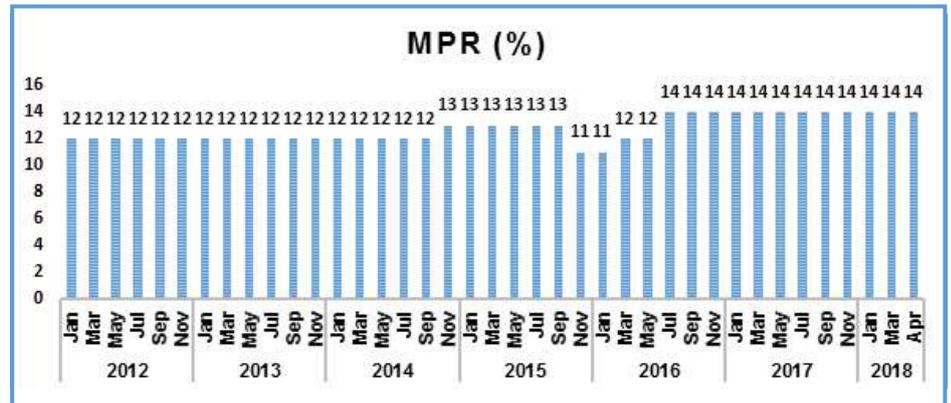


On the argument to hold, the Committee argued that key macroeconomic variables have continued to evolve in a positive direction in line with the current stance of macroeconomic policy and should be allowed more time to fully manifest.



THE NIGERIAN ECONOMY

Trends in MPR



Source: NBS & CBN



2.4 UNEMPLOYMENT

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.

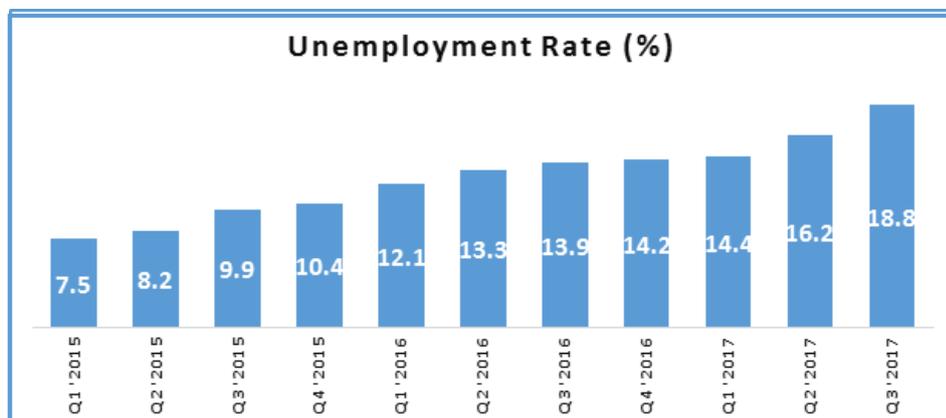


The increasing unemployment and underemployment rates could be attributed to Nigeria's fragile economy despite the exit from recession. The domestic labour market is still fragile and economic growths in the past two quarters in 2017 have not been strong enough to provide employment in Nigeria's domestic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



THE NIGERIAN ECONOMY

Unemployment Rate Trend (%)



Source: NBS



2.5 EXTERNAL RESERVES

The nation's foreign exchange buffer added \$7.49 billion or 19.32% in the first quarter of 2018, growing to \$46.26 billion as at March 29, 2018, from \$38.77 billion as at December 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. Since the inception, total dollar inflow via the I& E have totaled \$41.97 billion. Oil prices have been relatively higher in the first quarter of 2018 compared to year 2016 (\$43.42 per barrel) and 2017 (\$54.53 per barrel) and have thus supported the steady rise in foreign exchange reserves.



THE NIGERIAN ECONOMY

External Reserves and Crude Oil Price (Bonny Light)



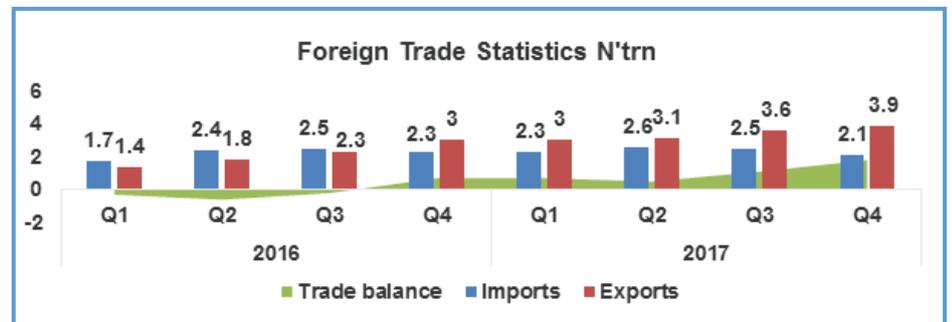
Source: CBN



2.6 EXTERNAL TRADE

Nigeria's external trade for Q4'17 stood at N6.02 trillion. This represents a 0.7% quarter-on-quarter decline (q-o-q) and an increase of 13.93% year-on-year. Total exports value grew by 9.35% q-o-q and 31.28% y-o-y to N3.91 trillion while total imports value declined 15.1% q-o-q and 8.5% y-o-y to N2.11 trillion. Driven by growth in exports as well as declining imports, Q4'17 balance of trade remained strong, climbing significantly by 65.24% q-o-q to N1.8 trillion. On a year-to-date basis, total trade value stood at N16.9 trillion, just 2.5% shy of the total trade value for the year 2016 (N17.4 trillion). For full year 2017, trade balance stood at N4.03 trillion compared to full year 2016 trade deficit of N290 billion.

External Reserves and Crude Oil Price (Bonny Light)



Source: CBN

THE NIGERIAN ECONOMY



2.7 EXCHANGE RATE

Naira remained relatively stable in the first 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 N336.16/\$ in the Nigerian Inter-bank foreign exchange fixing (NIFEX) market, a depreciation from closing the year 2017 at N330.91/\$.



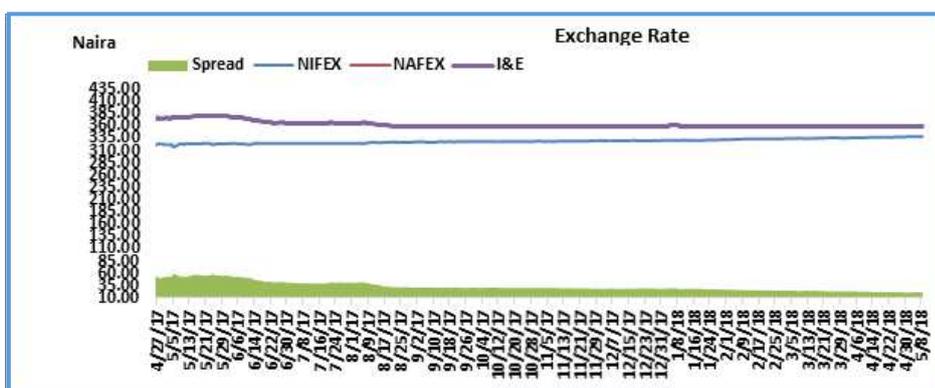
On the parallel market, the naira appreciated to N362/\$ on March 29th 2018 from N365/\$ in December 29th 2017. The currency settled at N360.20/\$ on March 29th at the Investors' & Exporters' (I&E) window, from N360/\$ on December 29th 2017.

The spread between the NIFEX rate and the Nigerian autonomous foreign exchange fixing (NAFEX) rate narrowed in Q1 2018 to N24.04 from N29.42 in Q4 2017.



The CBN has injected a total of \$18.067 billion into the interbank segment of the foreign exchange (FX) market since it started its forays into the market in February last year.

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



Source: CBN & FMD



2.8 STOCK MARKET

The Nigerian Stock Exchange (NSE) began 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 first quarter of 2018 falling by 6.4% to 41,505 index points from 44,344 points in January. Market



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capitalization also declined by 5.6% to close at N14.99 trillion relative to N15.89 trillion recorded in January.



Total foreign portfolio investment into the country as at February 2018 stood at N136.64 billion. A breakdown of this figure shows that N91.75 billion came in January but FPI inflows dropped to N44.89 billion in February.

Sector performance as measured by the NSE sector indices revealed that only one (1) sector closed the quarter on a negative note compared to all sectors closing year 2017 in the positive territory. The Alternative Securities Market (ASem- a platform for small and mid-sized fast growth companies to raise critical long term capital at relatively low cost to realize their business potential) was the only sector to end the quarter in the negative region with a return of -9.09%. While the Premium Index (which contains companies that meet the Stock Exchange's most stringent listing criteria of capitalization, governance and liquidity) was the top performer, with a return of 15.06% quarter-to-date. NSE Pension, NSE Industrial Goods and NSE Banking indices recorded advancements of 14.84%, 10.96% and 9.49% respectively.

Nigerian Stock Exchange All Share Index and Market Capitalization



Source: NSE



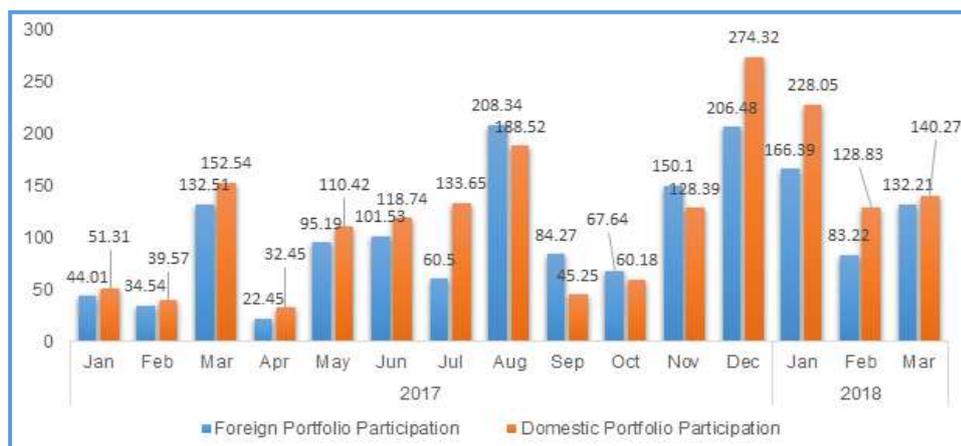
The Nigerian Stock Exchange (NSE) report titled "Domestic & Foreign Portfolio Investment" for the month of March 2018 revealed that the total transactions at the nation's bourse dropped during the month by 31% to N272.48 billion from N394.44 billion recorded in January 2018. Total foreign transactions witnessed a decline compared to the month



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of January by 20.54% to N132.21 billion from N166.39 billion. Total domestic transactions also dropped by a quicker pace of 38.49% to N140.27 billion from N228.05 billion in January.

Domestic & Foreign Portfolio Participation in Equity Trading

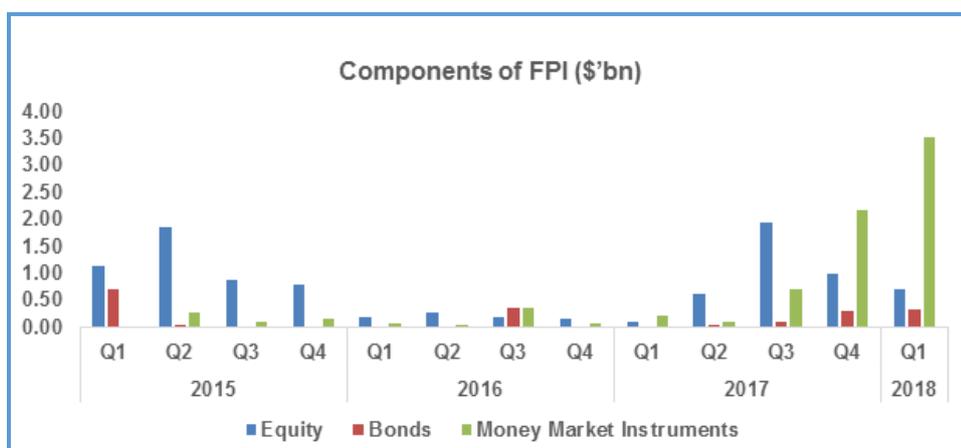


Source: NSE



Capital Importation

Total Foreign Portfolio (FPI) investments which include equity, bonds and money market instruments for Q1 2018 was recorded at \$4.57 billion. Equities component recorded a lower inflow of \$701.61 million evidenced by the decline in the stock market in Q1 2018 compared to \$989 million in the previous quarter. However, inflow into the money market significantly increased by 62% in Q1 2018 to \$3.53 billion from \$2.18 billion in the preceding quarter.



Source: NBS



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2.9 NIBOR

Money market rates experienced volatility in the first quarter of 2018, largely influenced by monetary and exchange rate developments and CBN liquidity management efforts.



Average Overnight (ON) and Open Buy Back (OBB) interbank rates opened 2018 at 5.5% and 4.67% respectively before gradually rising to the highest levels seen in the first quarter in February. The highest average ON and OBB rates were recorded at 53.08% and 53% respectively in February due to Retail Secondary Market Intervention Sales (SMIS). The lowest average ON and OBB rates were recorded at 19% and 18.33% respectively in January.

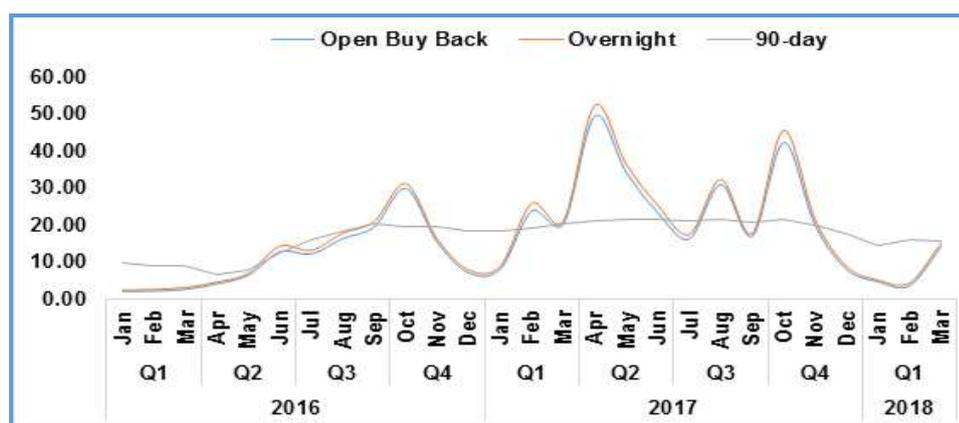


In March, average ON and OBB rates settled at 44.25% and 43.33% in that order as the market was drained of liquidity following various Open Market Operation (OMO) auctions and retail Secondary Market Intervention Sales (SMIS) by the CBN.



Rates across longer-tenured instruments were less reactive, with the 90-day rates hovering around 15.54% since year-start. The average 90-day NIBOR closed at 15.91% in March, relative to 17.70% recorded in December 2017.

Interbank Lending Rates



Source: FMDA



2.10 SOCIO-POLITICAL LANDSCAPE

The socio-political scene witnessed several developments, notably;

On March 1st, the Independent National Electoral Commission (INEC) announced dates for general elections in the country for the next 36



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years starting from 2019 to 2055. The INEC Chairman, Prof. Mahmood Yakubu, made the announcement at a consultative meeting with leaders of political parties in Abuja. According to him, "In 2019, the dates are February 16 and March 2; in 2023, the dates are February 18 and March 4. In 2027, the dates are February 20 and March 6; in 2031, it is February 15 and March 1. In 2035, it is February 17 and March 3; in 2039, it is February 19 and March 5 and in 2043, it will hold on February 21 and March 7. In 2047, it would hold on February 15 and March 2; in 2051, election would hold February 18 and March 1; while in 2055, INEC would hold elections on February 20 and March 6." He pointed out that in other democracies of the world, periods of elections are generally known and are not topics for speculation, explaining that the aim is to engender certainty in the election calendar and allow for long-term planning by the commission and all stakeholders. Saying that certainty in election calendar is necessary to match Nigeria's democratic system with global best practices, the commission received 108 applications from associations seeking to be registered as political parties. He said 66 of the applications did not meet the initial requirements while 33 passed and had proceeded to the next stage, adding that nine others were at the final stage of registration.



The 2018 budget was not passed in Q1 2018 due to the back and forth between the National Assembly and the Ministries, Departments and Agencies (MDAs). The National Assembly criticized the MDAs for the delay due to their "ill-preparedness to attend scheduled meetings and provide relevant information needed by the lawmakers to carry out their job of scrutinizing the proposals".



The Senate in March passed the harmonized version of the Petroleum Industry Governance Bill (PIGB), which includes a five per cent fuel levy on consumers. The monies accrued from the levy would be deployed towards funding of the Petroleum Equalisation Fund (PEF), which would also be funded from subventions, fees and other charges levied on oil marketing companies. This followed the adoption of the conference report of the National Assembly Joint Committee on Petroleum (Downstream) on the PIGB, which seeks to provide for the governance and institutional framework for the petroleum industry. Section 36(1) (a) of the bill provides that "there shall be established the Petroleum Equalisation Fund, into which shall be paid all monies payable to the Equalisation Fund, by way of a 5 per cent fuel levy in respect of all fuel sold, and distributed within the federation which shall be charged subject to the approval of the Minister (of Petroleum)".

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2.11 FINANCIAL SECTOR DEVELOPMENTS

Among others, the following were some of the developments in the financial sector in the first quarter of 2018.



In February 2018, the Central Bank of Nigeria (CBN) introduced guidelines for the regulation of bills payments directed at protecting stakeholders in the system. The stakeholders include: the payer, the biller, the payer's bank, the biller's bank and the payments service provider (PSP). The regulation mandates billers and payment service providers to provide customer support services by creating help desks to facilitate resolution of service issues in different payment methods such as cheques, cards, direct debit, instant payments and automated clearing houses. The scope of the regulation, titled "Regulation for Bill Payments in Nigeria" covers bill payments on various bill payment channels and any payment platform that seeks to integrate the payment side of commercial activity and merchant aggregators in Nigeria. The objectives of this regulation is to document the minimum standards that must be complied with for the processing of bill payment transactions; to identify stakeholders in Bill Payment system space; to ensure achievement of the vision of a 'nationally utilized and international recognized' payments system in Nigeria and to ensure adequate protection for the stakeholders in the Bill Payment system space.



Also in February 2018, the Nigerian Stock Exchange (NSE) launched a Corporate Governance Index (CG Index), which will track the performance of prequalified companies, using their market capitalisation, free float and corporate governance rating scores. The CG Index will be reviewed on a bi-annual basis at which point other companies that have met the requirements may be added to the Index or companies that have had their ratings suspended or withdrawn may be removed. The Index is expected to be an important tool for investors keen on investing in well governed companies as well as corporates eager to distinguish themselves on the ground of governance.



On February 12th, 2018, the Central Bank of Nigeria (CBN) abolished the charging of commission by authorized dealers on retail foreign exchange transactions (invisible transactions such as Business Travel Allowance (BTA), Personal Travel Allowance (PTA), Medical and School Fees).

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On March 9th, 2018, the Central Bank of Nigeria (CBN) introduced the Non-Oil Export Stimulation Facility (NESF) to engender growth in the non-oil sector of the economy and foreign reserve accretion. The objectives of the facility are to improve access of exporters to concessionary finance to expand and diversify the non-oil export baskets, attract new investments, shore up non-oil export sector productivity, support non-oil export-oriented companies and to broaden the scope of export financing instruments. The participating financial institutions are Deposit Money Banks (DMBs) and Development Finance Institutions (DFIs). The CBN in its recent circular informed all participating financial institutions that implementation of the NESF has commenced.

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OUTLOOK FOR Q1 2018



Outlook for Q2 2018 and Beyond

- The recent upsurge in oil output level and the resilience of the Agriculture sector are expected to sustain aggregate output growth going forward. Thus, the pace of output growth in Q1 and Q2 is seen at 1.86% and 2.05% respectively.
- The MPC will likely lower the MPR by 100 bps to 13%, from 14%, in Q2 2018, hinged on continued moderation in inflation rate, continued positive GDP growth, and the growing pressure from the business community.
- A liquid forex market, coupled with the Federal Government's increased investment in agriculture and the CBN's intervention schemes (especially the up-scaled Anchor Borrowers Scheme), will moderate inflationary pressure further in the second quarter of 2018. CBN to remain the primary supplier of liquidity in the interbank FX market
- Interbank money market rates will continue to be strongly influenced by monetary and exchange rate developments and CBN liquidity management efforts.
- The nations' FX reserves is expected to get support from rising oil price and improved oil production.

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