ACCESS
ECONOMIC QUARTERLY
FULL YEAR 2017

SPEED | SERVICE | SECURITY

IN THIS EDITION

ACCESS ECONOMIC QUARTERLY
FULL YEAR 2017

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1.0

GLOBAL ECONOMY

GLOBAL ECONOMY

Momentum in the global economy remained robust in the final quarter of 2017, underpinned by improved manufacturing, healthy trade volumes, and stronger business investment, across both advanced economies and emerging markets alike.

The upturn in global manufacturing gathered further pace at the end of 2017. The J.P.Morgan Global Manufacturing Purchasing Managers' Index (PMI), a composite index produced by J.P.Morgan and IHS Markit, rose to a seven-year high of 54.5 in December, up from 54.1 in November. The PMI has signalled expansion in each of the past 22 months. A reading above 50 indicates expansion and one below 50 shows contraction in production.

Similarly, the World Trade Organization's latest World Trade Outlook Indicator suggests that global trade growth continued to build moderately in the final quarter of 2017. Specifically, the WTO Indicator (WTOI) for the fourth quarter of 2017 registered at 102.2. The reading of 102.2 signals continued trade expansion in volume. Readings of 100 indicate growth in line with medium-term trends, while readings greater than 100 suggest above trend growth and those below 100 indicate the reverse.

After almost a decade of weak inflation and low or even negative interest rates, some of the world's central banks are actively pursuing a return to conventional monetary policy. The US Fed raised its benchmark interest rates three times in 2017 as part of a tightening cycle that began in late 2015. The Eurozone's monetary authority also reaffirmed its plan to halve its asset purchases to €30 billion ($35 billion) each month starting in January 2018 and continue for at least nine months until the end of September.

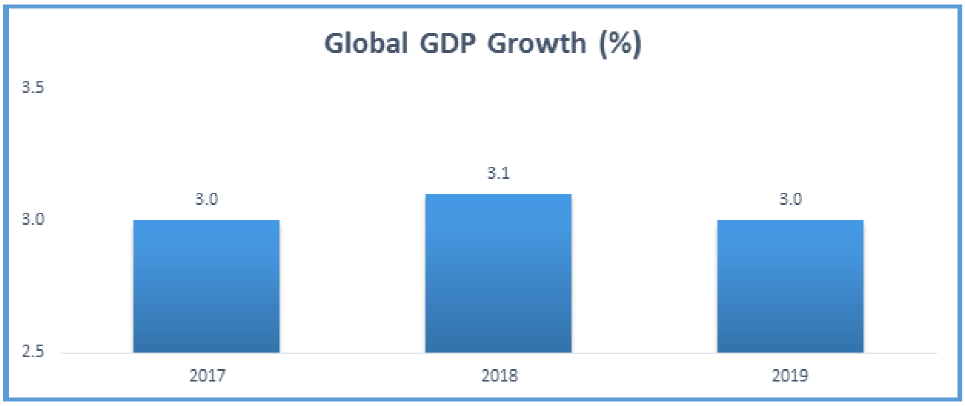
Stronger world growth has contributed to a further increase in international oil prices, which, in turn, provided a boost to global inflation. According to the IMF, inflation rates in Advanced Economies registered 1.6% in 2017 up from near-zero levels in 2015 and 2016 (0.3% and 0.8% respectively). A deal between the Organization of

GLOBAL ECONOMY

Petroleum Exporting Countries and its allies to maintain oil production cuts until the end of 2018 was a key factor lifting oil prices above $60 per barrel in 2017. Brent crude, the international benchmark for crude gained 17.69% to settle at $66.87 per barrel on December 30th from $56.82 per barrel at the beginning of the year.

In its latest Global Economic Prospects report published on January 9, 2018, the World Bank said it expects global economic growth to edge up to 3.1% in 2018 after a stronger-than-expected 2017, as the recovery in investment, manufacturing and trade continues, and as commodity-exporting developing economies benefit from firming commodity prices.

GLOBAL GDP GROWTH



Source: World Bank

GLOBAL ECONOMY
UNITED STATES/EURO AREA

1.1 UNITED STATES

The U.S. economy expanded at an annual rate of 3.2% in the third quarter of 2017, according to the final estimate of US gross domestic product (GDP) by the Commerce Department. The figure was revised down from previous estimate of 3.3%. Still, the 3.2% growth followed a 3.1% gain in the second quarter, the first consecutive quarters that growth has topped 3% since 2014.

In the final month of 2017, the US economy added 148,000 jobs, while the unemployment rate remained at 4.1%, according to the Bureau of Labor Statistics. All told, an additional 2.11 million jobs were added in all of 2017.

Retail sales - measure of consumer spending at stores, restaurants and websites - in December rose 5.4% from a year ago. They advanced 4.2% in 2017 compared to 3.2% in 2016. Sales in December were supported by a 1.2% jump in receipts at gardening and building material stores.

US consumer confidence slipped in December, retreating from a 17-year high in November as optimism about the short-term outlook fell sharply, according to a Conference Board's survey. The consumer confidence index fell to 122.1 from 128.6 in November, which was revised down from the originally reported 129.5, but still the highest since 2000.

In its last meeting of the year, held on 12th and 13th December, the Federal Reserve's Open Market Committee (FOMC) decided to raise the target range for the federal funds rate to 1.25% to 1.50%, up from a set range of between 1.00% and 1.25%. This marked the third hike in 2017 within a span of seven months, following similar increases in March and June. The central bank also announced its plans to commence balance sheet reduction soon, but it did not provide the timeline for this program.

Headline inflation rose 2.1%, slightly down from November's reading of 2.2%. However, Core CPI (which excludes food and energy) increased 1.8% in the 12 months through December, picking up from 1.7% in November.

The U.S. economy is benefiting from a pickup in global growth, a healthy job market, which supports consumer spending, and a drop in the value of the dollar against other major currencies, which makes U.S. products less expensive in foreign markets. For Q4 2017, the economy is expected to grow around 2.7%, slightly higher than the

2.4% gain expected in Q1 2018. A downside risk to this outlook is policy uncertainty emanating from President Donald Trump's administration.

1.2 EURO AREA

Real GDP in the Eurozone increased 2.6% on a yearly basis in the third quarter, which was faster than the 2.3% rise logged in the second quarter. The strong Eurozone growth was made possible by a sharp acceleration in Germany (+3.3%) but also solid gains in Spain, Cyprus and Finland, while France and Italy only managed sub-2% growth.

The ongoing economic recovery across the 19-country Eurozone pushed unemployment down to its lowest level in nearly nine years. According to Eurostat, the European Union's statistics agency, the jobless rate fell to 8.8% in October, from 8.9% the previous month. That was the lowest since January 2009.

Eurozone economic confidence strengthened further in December, reaching its highest level seen since late 2000. The economic confidence index rose to 116 from 114.6 in November, survey results from the European Commission showed. This was the highest reading since October 2000.

The zone's economic revival coincides with the uptick in credit growth. Loans to households inched up by 0.1%, reaching 2.8% in November, the biggest increase since 2011. Meanwhile loans to businesses picked up further after a leap in October, adding 0.2% in November to reach 3.1% year-on-year.

Inflation slowed in the final month of 2017, growing by just 1.4% year-on-year (y-o-y), compared with 1.5% the previous month, due to smaller increases in food and energy prices. Core inflation was stable at 1.1% - still far off the European Central Bank (ECB) target.

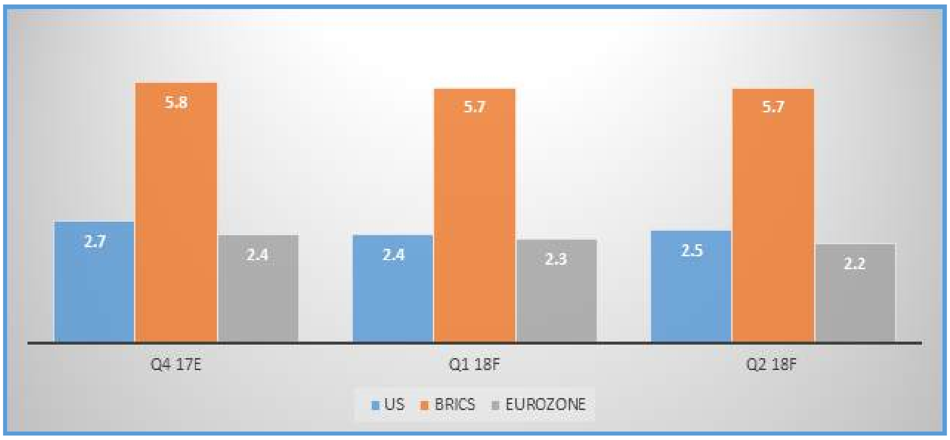
The ECB decided to maintain its policy rates at their current levels on 14 December. The main refinancing rate was kept at 0.00%, and the marginal lending rate and deposit facility rate at 0.25% and minus 0.40%, respectively. The Bank also confirmed that it will reduce the pace of its monthly bond purchases under the Quantitative Easing program to EUR 30 billion from EUR 60 billion, starting in January 2018.

GLOBAL ECONOMY
UNITED STATES/EURO AREA (Euro Area)

The Eurozone manufacturing sector ended 2017 on a high note. Strong rates of expansion in output, new orders and employment pushed the final IHS Markit Eurozone Manufacturing PMI to 60.6 in December, its best level since the survey began in mid-1997. The PMI was up from 60.1 in November and identical to the earlier flash estimate.

The economy is on solid footing heading into 2018, with tailwinds from an improving labour market and accommodative financial conditions that should continue to support growth. While policy uncertainty has declined it remains a key risk, especially linked to the uncertainty surrounding the German and Italian elections and the Brexit negotiations. A projected 2.4% GDP growth outturn in Q4 2017, is forecast to give way to a 2.3% expansion in Q1 2018.

GDP Growth Rate & Forecasts – Regional Comparison



Source: Bloomberg
E: Estimate
F: Forecast

1.3 BRICS

In 2017, the joint contribution of the BRICS to the world economy was 23.6%, and according to IMF predictions this is set to rise to 26.8% by 2022.

Brazil

In Q2 17 Brazil's economy saw its first positive growth print in three and a half years (+0.4% y-o-y), expanding further in Q3 17 (+1.4% y-o-y). The economy got support from growth in agriculture and improved private consumption.

Recent indicators suggest Brazil's economy continued on the path of recovery in the fourth quarter.

Brazil's unemployment rate fell to 12% in the September-November period from 12.6% in the previous three months. Despite the improvement, unemployment remains slightly higher than in the same period of 2016 (11.9%).

The consumer confidence index published by the Getulio Vargas Foundation (FGV, Fundaçao Getúlio Vargas) increased 3.7% from the previous month in November. The index rose to 86.8 from October's 83.7. The improvement was driven by consumers' less pessimistic views regarding both the current and future economic situations compared to the previous month.

Retail sales in Brazil grew in November, as the combination of the slowdown in inflation and low interest rates generated greater confidence among consumers. Sales rose 0.7% in November compared to October and were up 5.9% year-on-year, according to statistics bureau IBGE. Year-to-date (January-November), retail sales increased 1.9%.

Conditions in Brazil's manufacturing sector improved in November, reaffirming that the economic recovery is gaining steam. The Markit manufacturing Purchasing Managers' Index (PMI) rose to an 81-month high of 53.5 in November from October's 51.2. According to IHS Markit, the improvement in the manufacturing sector was underpinned by improvements in business conditions and strong business confidence.

GLOBAL ECONOMY
BRICS

Brazil registered a record-high trade surplus of $67 billion in 2017. According to the ministry for Development, Industry and Trade, the trade surplus grew 40% from the amount registered in 2016, which was also record high at the time. Exports rose 18.5% to $217.74 billion, the highest figures in three years. Imports rose 10.5% to 150.74 billion U.S. dollars, the highest figures since 2015.

Brazil's central bank in October trimmed its benchmark interest rate to 7.5% from 8.25%. A rapid slowdown in consumer price increases allowed the bank to cut the policy rate from 14.25% over the year. Official data showed annual inflation ended 2017 at 2.95%, just below the central bank's target for 2017, which ranged from 3% to 6%. Throughout 2017, the main influences over prices in Brazil came from important household expenditure items, such as bottled gas (+16.00%), water and sewage (+10.52%), and electricity (+10.35%).

Low interest rates, improving confidence and historically-low inflation should fuel an acceleration in growth in 2018. The pace of improvement will however depend on whether a credible path to fiscal stability is established via the successful legislation of pension reform. The presidential election in 2018 will add to domestic uncertainty, as former President Luiz Inacio Lula da Silva could join the race. Growth expected to pick up to 2.4% in Q4 2017 before moderating to 2% in Q1 2018.

GDP Growth Rate & Forecast – Brazil

Source: Bloomberg

GLOBAL ECONOMY
BRICS

Russia
GDP expanded 1.8% annually in Q3, below Q2's 2.5% expansion. Despite the slowdown, the figure marked the fourth consecutive quarter of growth and shows that the economy is on the mend, following a prolonged recession due to low oil prices and international sanctions.

Business activity in Russia's manufacturing sector gained steam in December. The Manufacturing Purchasing Managers' Index (PMI) produced by IHS Markit rose to a five-month high of 52.0 in December from 51.5 in November.

Russia's external sector continued showed continued recovery in October. Merchandise exports totalled $31.4 billion in October, which represents a 27.1% increase compared with the $24.7 billion observed in the same month of 2016. The expansion was above September's 20.9% increase. Imports increased 18.8% annually in October, above September's 14.5% increase and came in at $21.6 billion. The trade surplus came in at $9.8 billion, which was larger than the $6.6 billion surplus seen in October 2016.

Global ratings agency, Fitch, upgraded Russia's sovereign credit rating from "stable" to "positive," though it also predicted that economic growth will be slow and oil revenues will not rise to the heights of the early 2010s for some time.

Fitch upgraded Russia's long-term foreign and local currency issuer default ratings to "positive" from "stable", citing progress in strengthening the country's policy framework. Fitch, which also affirmed Russia's rating at "BBB-", said the country continues to make progress in strengthening its policy framework, underpinned by a more flexible exchange rate, strong commitment to inflation targeting and a prudent fiscal strategy. Earlier, Standard & Poor's credit rating agency placed Russian sovereign debt rating on the borderline between "junk" and investment-grade status, affirming it at BB+/BBB-.

Inflation fell further under CBR's 4% y-o-y target, posting 2.5% y-o-y in November. 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 7.75% from 8.25% at its meeting on 15

December. The decision followed a more moderate reduction of 25 basis points in October and marks the lowest policy rate since June 2014.

Looking ahead, 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. In addition, possible introduction of the new anti-Russia sanctions by the US by the end of January 2018 is a serious short- to medium-term risk. Growth is projected at 1.9% in Q4 2017 and 2% in Q1 2018.

Growth Rate & Forecast – Russia

Source: Bloomberg

access

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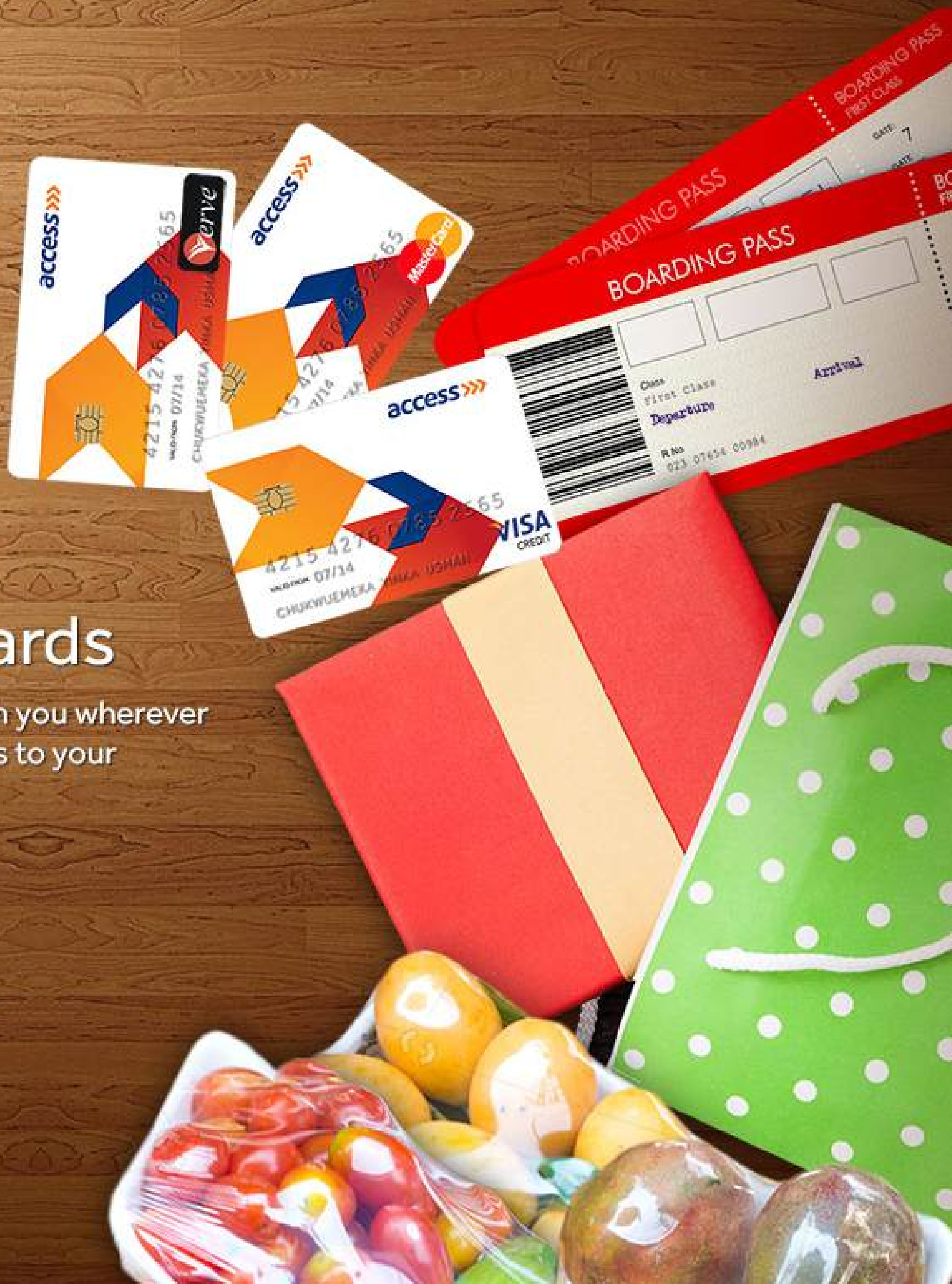

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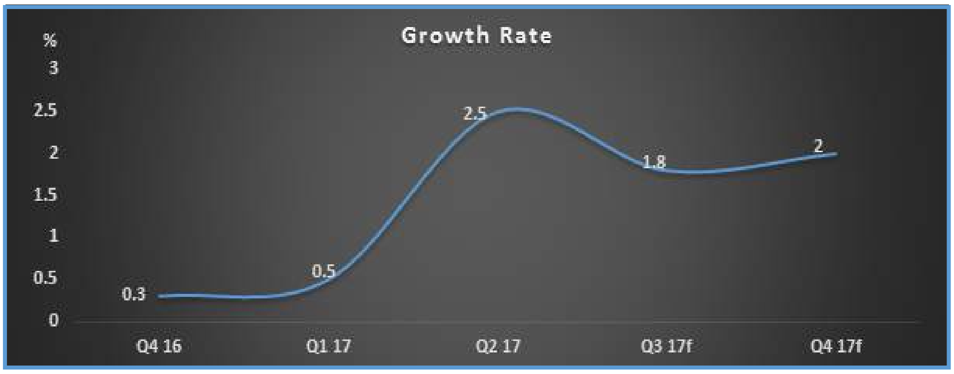
Growth Rate & Forecast – Russia



Source: Bloomberg.

India

Gross domestic product grew 6.3% in July-September, its fastest pace in three quarters, compared with 7.5% a year earlier. It had declined to 5.7% in the previous quarter, hit by hit by the impact of demonetisation and the Goods and Services Tax (GST) rollout issues.

The index of industrial production, which tracks the growth of various sectors in the economy namely mineral mining, electricity and manufacturing, rose 8.4% year-on-year in November, its fastest pace in 19 months. Industrial growth, was led by a 10.2% percent rise in manufacturing output. The sector was among the worst hit by the note ban and the GST.

Nikkei India Manufacturing Purchasing Manager's Index (PMI) rose to 54.7 in December 2017 from 52.6 in November. The upward movement in the headline index was driven by a sharp increase in output and new orders.

The Reserve Bank of India held its policy rate steady at 6% at its meeting on 5–6 December as officials reinforced their neutral policy stance, stressing that they will "watch the incoming data carefully". The central bank is slated to come out with its next monetary policy review on February 7, 2018

Rising food prices pushed India's retail inflation to a 17-month high in December, breaching the central bank's medium-term target for the second straight month. The benchmark consumer-price index rose 5.21% from a year earlier, the highest since July 2016 and significantly higher than November's 4.88% increase. Food prices climbed 4.96% from a year earlier, accelerating from a 4.35% rise in November while housing prices rose 8.25%, quicker than November's 7.36% increase. The RBI has a medium-term inflation target of 4%.

S&P Global Ratings in November kept India's sovereign rating unchanged at 'BBB-' with stable outlook. Earlier in the same month, Moody's Investors Service upgraded India's sovereign credit rating for the first time in nearly 14 years. Moody's lifted India's rating to Baa2 from Baa3 and changed its rating outlook to stable from positive, saying that risks to India's credit profile were broadly balanced.

Merchandise exports contracted 1.1% from the same month of the previous year in October, to a total of $23.1 billion. Annual oil export growth decelerated markedly from the previous month in October, but shipments of non-oil goods were down 3.3% year-on-year.

Economic growth is set to accelerate throughout 2018 as the economy recovers from demonetization- and GST-induced shocks. Economic momentum could be further bolstered by the new fiscal package, which will accelerate the resolution process of banks' stressed assets, shore up loan growth and boost corporate sentiment. For Q4 2017, the economy is estimated to have grown 7%. GDP outturn in Q1 2018 is expected at 7.5%.

Growth Rate & Forecast - India

Source: Bloomberg

China

Official data showed growth in Q4 expanded 6.8% from a year earlier, unchanged from the third quarter. Growth for the 2017 full year picked up to 6.9 percent year-on-year, the first annual acceleration for the economy since 2010.

GLOBAL ECONOMY
BRICS

China's employment rate in the first three quarters of 2017 hit a record high, with more than 10 million new jobs added to the economy between January and September, according to a report by the Chinese Academy of Social Sciences. The period saw about 300,000 more jobs created than in the same period last year, the report said.

In November, nominal retail sales grew 10.2% year-on-year, above the 10.0% rise in October and in line with market expectations. November's higher print compared to October mostly reflected stronger sales for oil and oil-related products, clothes and household appliances.

Industrial production expanded 6.1% in November year-on-year, a notch below the 6.2% expansion in October. November's result reflected a slowdown in electricity, gas and water supply. Moreover, the decline in the mining sector accelerated. Growth in manufacturing output, however, accelerated in the same month.

In December, the consumer price index (CPI) recorded a 1.8% rise year on year, compared with a 1.7% gain in November. According to the National Bureau of Statistics (NBS), the slight acceleration in CPI inflation in December was mainly due to a 2.4% price rise of non-food products.

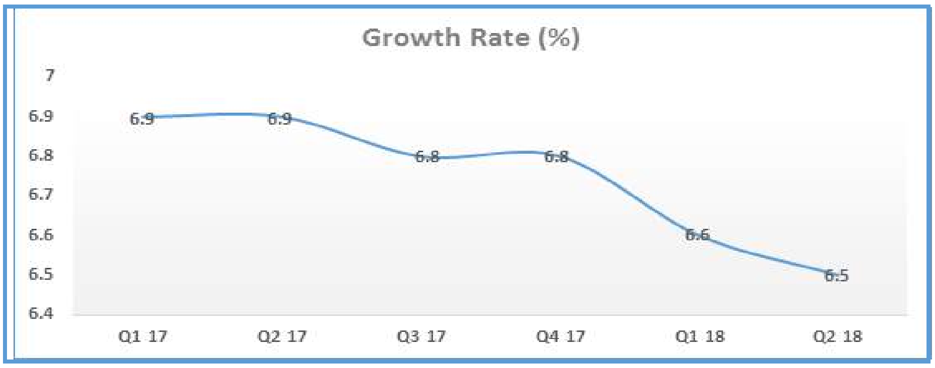
The PBOC increased rates on reverse repurchase agreements, or reverse repos, used for open market operations by 5 basis points for the 7-day and 28-day tenors. It also increased rates on its one-year medium-term lending facility (MLF) also by 5 basis points. The move followed the Federal Reserve's decision to raise interest rates by a quarter of a percentage point in the third hike this year.

China's foreign-exchange reserves posted an 11th straight monthly increase, capping a year of recovery amid tighter capital controls, a stronger Yuan and resilient economic growth. The reserves climbed $20.7 billion to $3.14 trillion in December, bringing the full-year increase to $129 billion.

GLOBAL ECONOMY
BRICS

China's economy is continuing a very gradual slowdown. Ongoing high state sector investment and robust consumption growth should allow the economy to clock a growth rate of 6.7% in Q4 2017, before easing to moderately to a growth rate of 6.6% in Q1 2018.

Growth Rate & Forecast - China



Source: Bloomberg.

South Africa

Gross domestic product rose 0.8% year-on-year basis in Q3 2017, compared with a revised 1.3% expansion in the previous three months. The slower growth in Q3 17 was mainly attributable to decreased contributions from the utilities, trade and finance sectors.

The South African Chamber of Commerce and Industry's (SACCI) monthly business confidence index (BCI) rose to 96.4 in December from 95.1 in November. The rise seen in December was due in part to political developments that have raised expectations of policy certainty and economic reforms.

The ruling African National Congress (ANC) elected Vice President Cyril Ramaphosa as head of the party in December, sparking a rally in the rand and financial assets as investors view him as business-friendly and pro-reform.

Global ratings agency S&P Global Ratings in November downgraded South Africa's long-term local currency rating to 'BB+', or junk, from 'BBB-' with a stable outlook. S&P also further lowered SA's long-term foreign currency debt to 'BB' from 'BB+', meaning this debt is now on the second rung of non-investment grade. Moody's opted to keep both readings on Baa3, its lowest investment grade, but put them on review for possible downgrade.

GLOBAL ECONOMY
BRICS

The seasonally adjusted Absa Purchasing Managers' Index (PMI) declined to 44.9 points in December 2017 from 48.6 in November. The drop came after four consecutive months of improvements. The deterioration was broad based with all five subcomponents of the headline index falling compared to November's level.

South African retail sales jumped in November as sales in clothing, footwear and furniture rose. They rose by 8.2% year-on-year in November, the largest jump since June 2012. Retail sales contracted in the first months of 2017, weighed down by consumer confidence as political uncertainty and inflation cut discretionary spending.

Annual average inflation edged down to 4.6% in November from 4.8% in October, remaining within the Central Bank's target range of 3.0%–6.0%, where it has been since April 2017. Core consumer prices - which exclude food, non-alcoholic beverages, energy and gasoline edged down from a 0.1% month-on-month increase in October to a flat reading in November. Core inflation in November inched down to 4.4% from 4.5% in October.

The Monetary Policy Committee (MPC) of the South African Reserve Bank (SARB) decided to leave the benchmark interest rate unchanged at the end of its three-day meeting culminating on 23 November. The policy rate stands at 6.75% following a cut at the MPC's July meeting.

South Africa's trade surplus soared to R13.02-billion ($1.06-billion) in November, its highest in a one-and-a-half years as exports of mineral and chemical products as well as commodities and vehicles grew briskly while imports were subdued. It was a big jump in the surplus from R4.34-billion in October.

According to Statistics South Africa (Stats SA), 187 000 formal sector jobs were created in SA during Q3 2017. In contrast, job losses were recorded in the informal and agricultural sectors. As a result, a net gain of 92 000 jobs was registered, with most of the new jobs recorded in the tertiary sector. Meanwhile, the labour force expanded by 125 000 people to 22.4 million. Consequently, the unemployment rate remained high at 27.7% (a total of 6.21 million people were classified as being unemployed).

GLOBAL ECONOMY
BRICS

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 expected to grow 1% in Q4 2018 and 1.7% in Q1 2018.

GDP Growth Rate & Forecast – South Africa

Source: Bloomberg

2.0

THE NIGERIAN ECONOMY

Below is a snapshot of the domestic economy in Q3 2017.

Economy consolidated exit out of recession, up 1.40% in Q3' 17.	Credit to Private Sector dipped slightly.	Naira remained broadly stable at the interbank market.
Nigerian equities sustained a bull run	External reserves climbed to 3-year high of $38.76 billion.	Inflation slowed for tenth consecutive month in November to 15.90%
Improving security situation in the North-East region.	Benchmark interest rate maintained at 14%	Oil prices settled above $60/b, a level not seen since mid-2015.

2.1 GDP GROWTH

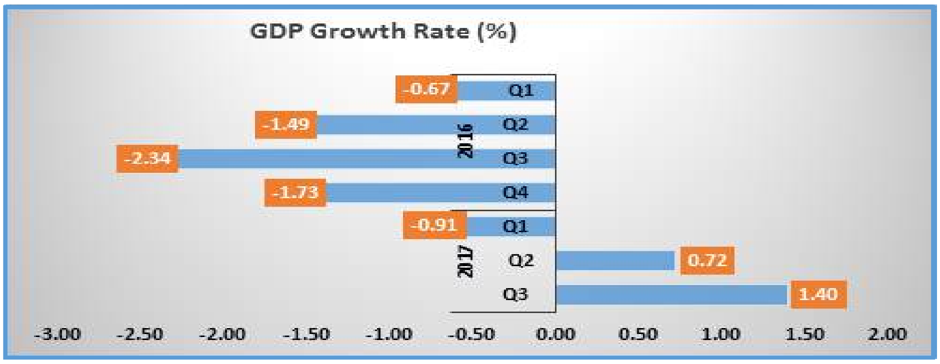
Nigeria's economy gained traction in the third quarter, after growing for the first time in over a year in Q2. According to data released by the National Bureau of Statistics, GDP expanded 1.4% annually in Q3, notably above Q2's revised 0.7% increase (previously reported: +0.6% year-on-year). Higher oil production drove the acceleration in Q3, which was also likely aided by increased public spending and an improved exchange rate provision.

Oil output averaged 2.03 million barrels per day (mbpd) in the third quarter, which was above the revised 1.87 mbpd recorded in Q2 (previously reported: 1.84 mbpd). Greater production combined with higher oil prices drove the oil sector to grow by a robust 25.9% annually, significantly above Q2's 3.5% expansion. Oil production largely returned to normal in Q3, after the completion of repair work earlier in the year. In addition, an improved security situation in the key oil-producing Niger Delta region helped stabilize output.

In the non-oil sector, activity contracted 0.8%, contrasting Q2's 0.5% expansion. Shrinking activity in the service sector was chiefly behind the fall.

The International Monetary Fund forecasts Nigeria's economy will expand by 2.1% this year from an estimated 0.8% in 2017 as the production of oil, the nation's biggest, recovers, improving the supply of dollars needed to import factory inputs and fuel.

GDP Growth Rate – Nigeria



Source: NBS

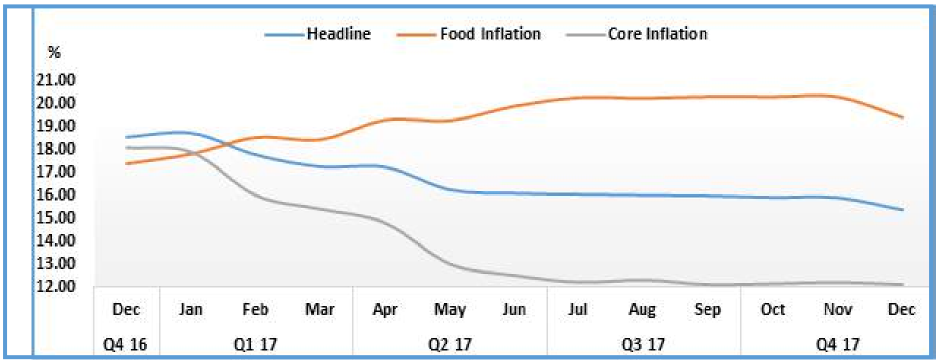
2.2 INFLATION

Inflation rate maintained a downward slide in 2017, due to the gradual recovery of the Nigerian economy. Headline inflation slowed to 15.37% in December from 15.90% in November, marking the 11th consecutive decline in 2017. Core Inflation registered at 12.1% y-o-y in December, compared to 12.2% y-o-y in November.

The highest increases were recorded in prices of Fuel and lubricants for personal transport equipment, solid fuels, passenger transport by air, clothing materials and other articles of clothing, Vehicle spare parts, nondurable goods, furniture and furnishing, carpet and other floor coverings, shoes and other footwear, bicycles and motorcycles, hospital services and glassware, table and household utensils and appliances.

The Food Index came in at 19.4% y-o-y in December, down by 0.9 per cent points from the rate recorded in November (20.3%). The major contributors to the movement in the index were price changes in bread and cereals, potatoes, yam and other tubers, coffee tea and cocoa, milk, cheese and eggs, fish, oils and fats.

Inflation Year-on-Year



Source: NBS

2.3 MONETARY POLICY

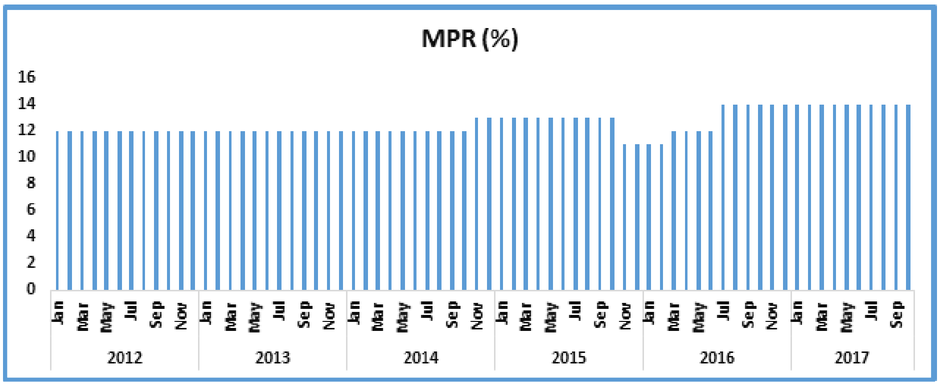
At its 20–21 November monetary policy meeting, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) decided to leave the monetary policy rate and all other monetary policy parameters unchanged, meeting market expectations. The monetary policy rate remains at 14.0%. The asymmetric 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 is designed to curb high price pressures in the battered economy. Despite moderating, inflation remains well above the Central Bank's target of 6.0%–9.0%, due to elevated food prices. In the accompanying statement, the MPC stressed that loosening monetary policy "could aggravate the upward trend in consumer prices and generate exchange rate pressures."

Looking ahead, the MPC struck a neutral tone, stating that it will monitor incoming data to clarify the optimal path of monetary policy. With inflation projected to retreat further over the coming quarters, and given the weak state of economic activity, the Bank's preferences are likely to swing more towards a rate cut going forward.

Clearly, the CBN continued to maintain a tight monetary policy regime in its quest to continue to attract portfolio inflows.

Trends in MPR



Source: NBS & CBN

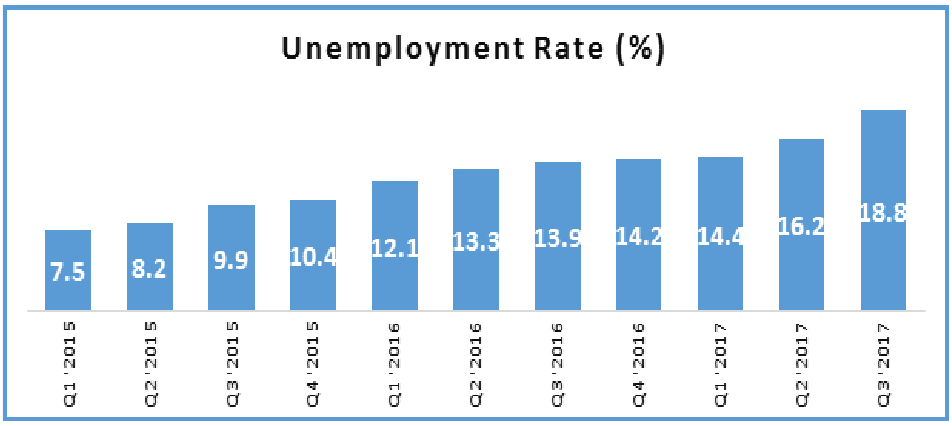
2.4 UNEMPLOYMENT

Nigeria's unemployment rate deteriorated to 18.8% in the third quarter of 2017 from 16.2% in the second quarter of 2017, according 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 the second quarter.

NBS in the report blames the increasing unemployment and underemployment rates on Nigeria's fragile economy despite the exit from recession. The report explained that 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 (%)



Source: NBS

2.5 EXTERNAL RESERVES

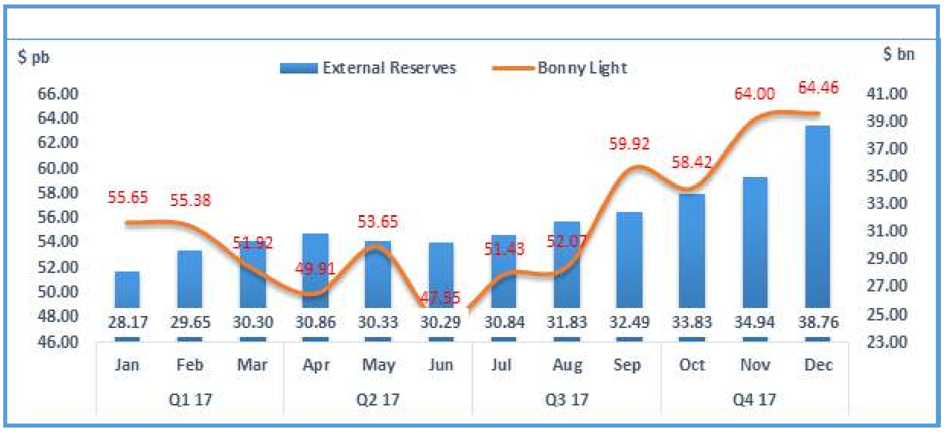
The nation's foreign exchange buffer added $12.92 billion or 50% in one year, growing to $38.76 billion as at December 29, 2017, from $25.84 billion at the beginning of 2017.

Relative stability in the Niger Delta, an uptick in global oil prices, improvement in diaspora remittances and establishment of the Investors and Exporters Foreign Exchange Window by the CBN in April 2017 aided the significant growth in the country's external reserves especially in the second half of the year.

A closer look at CBN data shows that the reserves growth slowed down in March and was flat in the following month, before dropping in May and June, first to $30.329 billion from $30.864 billion in the preceding month; and then $30.288 billion in June.

Growth thereafter, commenced slowly between July and November. Reserves gained $3.8 billion in almost one month, rising to $38.76 billion on December 29 from $34.9bn on November 30 – almost 10% in one month.

External Reserves and Crude Oil Price (Bonny Light)

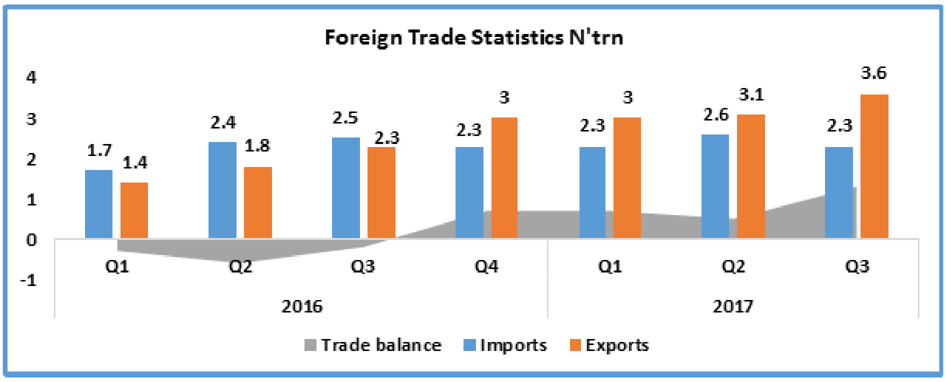


Source: CBN

2.6 EXTERNAL TRADE

Nigeria's trade value rose for the sixth consecutive quarter to N5.92 trillion. This represents a 3.94% quarter-on-quarter (q-o-q) and 23.86% year-on-year (y-o-y) growth. Total exports value grew by 15.19% q-o-q and 53.85% y-o-y to N3.57 trillion while total imports value declined 9.41% q-o-q and 4.47% y-o-y to N2.35 trillion. Bolstered by a sustained growth in exports as well as declining imports, Q3 17 balance of trade remained favourable, climbing significantly by 141.8% q-o-q to N1.2 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). Exports made up 57.2% of year-to-date trade value, with a significant trade surplus of N2.5 trillion (compared to full year 2016 N290 billion trade deficit)

Foreign Trade Summary



Source: CBN & NBS

2.7 EXCHANGE RATE

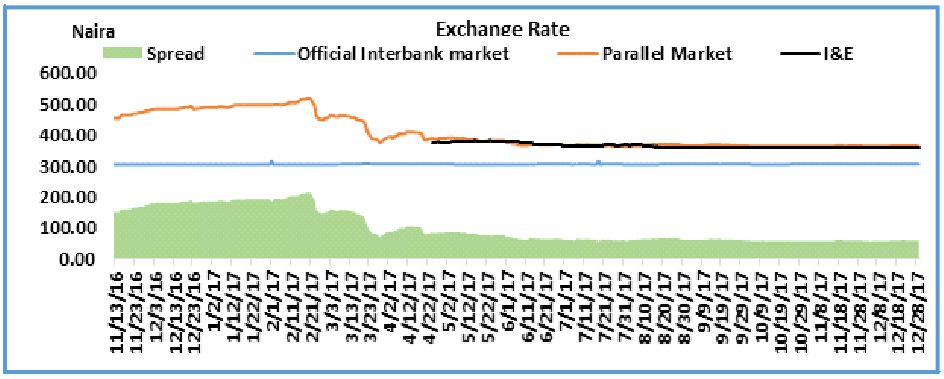
Naira closed on a strong note across all market segments in 2017, supported by various forex policies enacted by the Central bank and improved liquidity.

Among others, the CBN introduced a new window for investors and exports (effective Monday 24th April 2017) and lifted restrictions on imports of key raw materials (low and high density polyethylene) for plastic manufacturers. The Investors and Exporters (I&E) window followed the establishment of a new window for small and medium enterprises to access up to $20,000 per quarter for eligible imports and the re-introduction of bi-weekly FX sales to bureaux-de-change, with each bureau being sold up to $10,000 per week.

The local unit ended trading on the last day of the year at N306 in the official Interbank market, largely unchanged from N305/$ it opened with at the beginning of the year.

On the parallel market, the naira appreciated to N365/$ on December 29th from historic high of N520/$ in February. The currency settled at N360/$ on December 29th on the I&E window, representing a gain of N15.33 or 4.08% since its creation in April.

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



Source: CBN & FMDA

2.8 STOCK MARKET

The NSE closed the year on the positive note, as the NSE All-Share Index returned 42.30% year-on-year. Market capitalization grew positively to close at N13.61 trillion relative to N9.25 trillion recorded at the end of 2016.

The remarkable performance of the bourse in 2017 can be traced to a return of portfolio inflows following the introduction of the I&E window.

Average Foreign Portfolio Investment (FPI) per month rose to N91 billion as at November 2017, relative to N43 billion recorded in 2016. March, June, August and November recorded the most impressive inflows at N132.51, N101.53, N208.34 and N150.1 billions respectively, with the lowest being N22.4 billion in April.

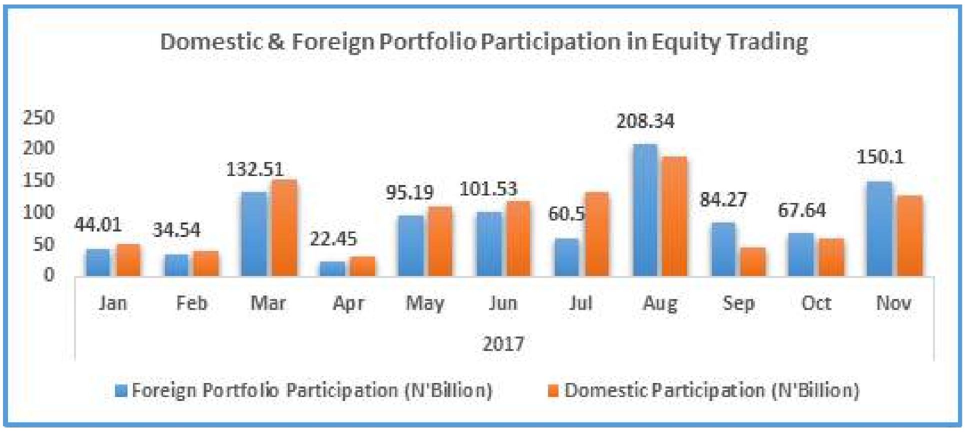
The value of Foreign Portfolio participation in equity trading in the NSE hit N1 trillion as at November 2017, representing a 93.4% increase over N517.55 billion recorded for the full year ended December, 2016.

Sector performance as measured by the NSE sector indices showed that all sectors closed the year in the positive territory. The Banking sector was the top-performing sector, with a return of 73.32% while the Oil and Gas sector was the top laggard, with a return of 5.76%. NSE Food & Beverage, NSE Industrial Goods and NSE Insurance indices recorded advancements of 36.97%, 23.84% and 10.36% respectively.

Nigerian Stock Exchange All Share Index and Market Capitalization

Source: NSE

Domestic & Foreign Portfolio Participation in Equity Trading



Source: NSE

2.9 NIBOR

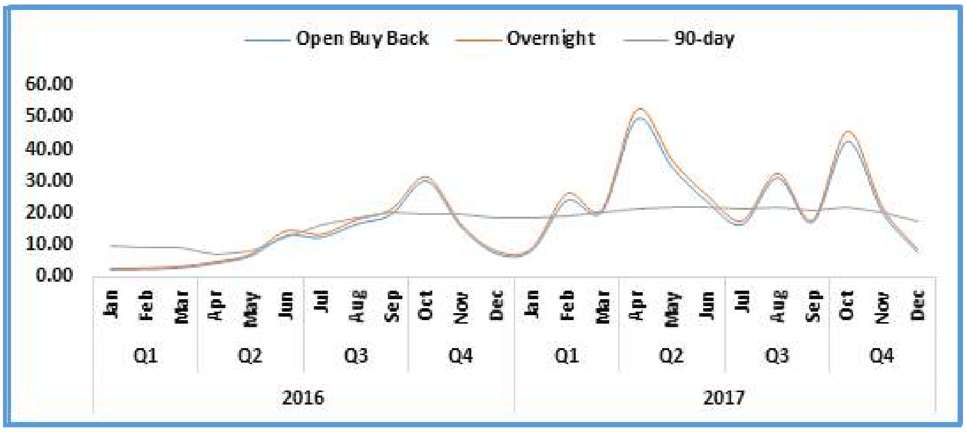
Money market rates witnessed significant oscillations throughout the year, largely influenced by monetary and exchange rate developments and CBN liquidity management efforts.

Average Overnight (ON) and Open Buy Back (OBB) interbank rates opened 2017 at 8.96% and 8.21% respectively before gradually rising to the highest levels seen in the year in April. Average ON and OBB rates were recorded at 52.46% and 49.55% respectively in April on the back of various FX interventions announced by the CBN. August and October saw further spikes in lending rates as low system liquidity was exacerbated by further wholesale FX auctions by the CBN.

In December, average ON and OBB rates dropped to their lowest values in the year at 8.50% and 7.67% in that order as the market was inundated with liquidity following a prolonged absence of liquidity mop ups by the CBN.

Rates across longer-tenored instruments were less reactive, with the 90-day rates hovering around 20% since year-start. The average 90-day NIBOR closed at 17.46% in December, relative to 18.63% recorded in January.

Interbank Lending Rates



Source: FMDA

2.10 SOCIO-POLITICAL LANDSCAPE

The socio-political scene witnessed several developments, notably;

Ahead of forthcoming general elections in 2019, the Independent National Electoral Commission (INEC) increased the number of political parties in the country to 67. On June 7, it announced the registration of five new political parties, bringing the number of parties to 46. Announcing the decision at a late evening press briefing in Kaduna, the INEC commissioner in charge of Information and Voter Education said the associations met the requirements for registration, while two associations, which had earlier applied for registration as political parties, voluntarily withdrew their applications. The Commission, on December 14, increased the number to 67 when it announced registration of additional 21 political parties.

Also in 2017, INEC, on November 18, 2017, conducted a governorship election in Anambra State, which was adjudged to be transparent and peaceful despite initial threat by a separatist movement, the Independent People of Biafra (IPOB) calling for a boycott of the exercise and also threatening to disrupt the process. At the end of the exercise, the incumbent governor, was declared winner by INEC, having scored a total vote of 234,071.

In 2017 the Senate passed 33 legislative proposals, while the House of Representatives, in July 2017, concurred with 21 of those proposals while rejecting 12. The proposed amendments included authorisation of budgetary expenditure; devolution of legislative powers to the states; financial autonomy for state legislature; democratic existence, funding and tenure of local government; presidential assent of bills; independent candidature and time frame for submitting of names of ministerial/commissioners nominees, submission of their portfolios and 35 per cent affirmative action for women as ministers and commissioners, among others. The proposed amendments have since been transmitted to the 36 states Houses of Assembly, with two-thirds of the Assemblies expected to ratify the amendments before they could be passed.

On November 7, 2017, President Muhammadu Buhari presented a proposal for a budget of N8.612 trillion for the year 2018. At the presentation of the budget before a joint session of the National Assembly, President Buhari addressed the lawmakers on the key achievements and plans of his administration as well as the key assumptions and allocations in the budget. The President said that the 2018 Budget will consolidate on the achievements of previous budgets and deliver on Nigeria's Economic Recovery and Growth Plan (ERGP) 2018 – 2020.

2.11 FINANCIAL SECTOR DEVELOPMENTS

Among others, the following were some of the developments in the financial sector in the year 2017.

In April 2017, the Central Bank of Nigeria introduced an initiative to offer the foreign exchange to Small and Medium businesses in the country. The aim of the initiative is to ensure easy business transactions for industrialists, and the Apex bank will continue to provide liquidity in the system for the ease of doing business. Also, businesses can now also make their foreign loan and interest repayments, and other trade-related payment obligations. Participants now trade with each other, as the CBN reduces its activities in the market. Due to the new-found confidence brought about by this market, MSCI (Morgan Stanley Capital International), decided to leave the country in its frontier index until at least November.

The Vice President in May signed three executive orders expected to change some of the ways government business and operations are conducted in the country. The executive orders stipulate sanctions and punitive measures that will be imposed where necessary. They were also expected to ensure the promotion of transparency and efficiency in the business environment designed to facilitate the ease of doing business in the country. The orders are also expected to ensure support for local content in public procurement by the federal government.

Nigeria's Debt Management Office (DMO) on June 13, 2017, commenced a ten-day roadshow in the United States, UK and Switzerland, for the country's first diaspora bond of 300 million dollars. The debt office has filed a registration statement for the bonds with the U.S. Securities and Exchange Commission. The DMO said an application would be made for the bonds to be admitted to the official list of the UK Listing Authority and the London Stock Exchange to ensure that the bonds were admitted to trading on the London Stock Exchange's regulated market.

The Vice President on June 29, 2017, signed an executive order to back the Voluntary Assets Income Declaration Scheme (VAIDS). The signing of the executive order and launch of the scheme is targeted at increasing tax awareness and compliance. It also gave taxpayers a time-limited opportunity to regularise their tax status without penalty.

OUTLOOK FOR FULL YEAR 2017

Outlook for Q1 2018 and Beyond

- Inflationary pressure is expected to moderate further in the first quarter of 2018 on account of the Federal Government's increased investment in agriculture and the CBN's intervention schemes.
- We expect the central bank to continue operating a number of different exchange rates by supplying the market with dollars at different levels of pricing.
- While initiatives by the federal government in the agricultural sector is expected to stay strong and propel the sector further into growth, existing pressures in other key non-oil areas, notably the telecoms sub-sector will persist and limit output expansion in the non-oil sector. Given this, we expect growth to remain driven by the oil sector and forecast real GDP for the economy to expand by 0.89% y-o-y and 0.48% y-o-y in Q4 17 and Q1 18 respectively.
- The equities market is likely to sustain the recent uptrend driven mainly by the sense of improving access to FX by the foreign portfolio investors through the I&E window, impressive corporate earnings releases and continued moderation in inflation rate.
- The accretion in foreign reserves is expected to persist supported by inflow of funds from portfolio investments and earnings from crude oil and other non-oil export proceeds.
- More initiatives at reducing poverty and creating jobs.

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