ACCESS
ECONOMIC QUARTERLY
FULL YEAR 2018

SPEED | SERVICE | SECURITY

IN THIS EDITION

ACCESS ECONOMIC QUARTERLY
Full Year 2018

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1.0

GLOBAL ECONOMY

GLOBAL ECONOMY

Growth in the third quarter of the global economy began to decelerate following a much more stable growth in the previous quarter. The GDP estimate for the global economy which came down to 3.1% in Q3, is projected to stabilize at a slightly higher rate of 3.7% in Q4. The somewhat lower rates recorded in Q3 result from the negative global impacts of tariff hikes. Growing trade and investment continue as notable factors powering the global upswing in the final quarter of the year.

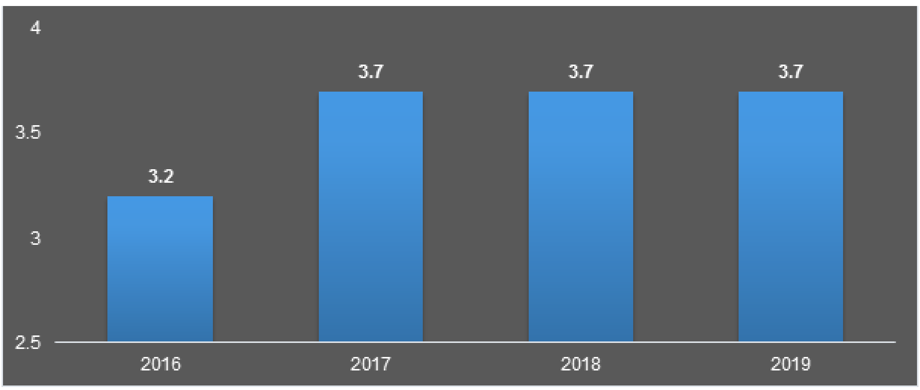
Amidst tensions over rising trade tariffs, global manufacturing activities despite increasing by 3.2% in the third quarter of 2018, fell short of the rates recorded in the second quarter. While industrialized economies suffered major setback in terms of output, growth activities were recorded to be much higher in developing and emerging economies in Q3.

The WTO's latest World Trade Outlook Indicator (WTOI), released in November, suggests trade growth is likely to slow further into the fourth quarter of 2018. The WTOI's current value dropped to 98.6 from 100.3, reflecting declines in export orders amid escalating trade tensions and tighter credit conditions in important markets.

Despite the initial increases in oil prices over the course of 2018, the last quarter of the year saw surprising low level of global oil prices. International benchmark Brent crude closed at $61/barrel, its lowest level since December 2017, depicting a 5.9% fall in oil prices. This fall in Q4 results from a mismatch between oil supply and economic growth. This is clearly visible in the US where Crude inventories went up to 446.9mn barrels from a previous 4.9mn barrels.

The International Monetary Fund still retained its forecast for 2018 and 2019 at 3.7%.

GLOBAL GDP GROWTH



Source: IMF

GLOBAL ECONOMY
UNITED STATES/EURO AREA

1.1 UNITED STATES

The U.S. economy recorded a fairly stable growth path in the fourth quarter of 2018, buoyed by private expenditures, recent tax cuts and modest consumer dynamics. However, some drag was observed on the economy as housing markets began to slump.
President Donald Trump's meeting with Xi Jinping in December 2018 restores hope as uncertainties associated with trade tensions dissipates at least till their agreed 90-day truce expires. Within the period, tariffs and business activities are expected to remain undisturbed.

Notwithstanding, domestic momentum should continue to carry the economy over the short term.

Revised data from the Commerce department showed that the US GDP grew at a slightly higher rate than initially reported. The estimate for the US GDP report in Q3 increased to 3.4% in its third reading, following a slight fall from its previous estimate of 3.5% in Q2. The US trade war with China hit their GDP hard in the fourth quarter to a rate of 2.9%, with a spillover into 2019.

This downturn came on the back of weaker consumer spending and lower business inventory according to the Commerce Department.

Trade tensions between the US and China resulted in worsening of the trade balance by 1.16 percentage points after an initial expansion by 0.36 percentage points in the third quarter.

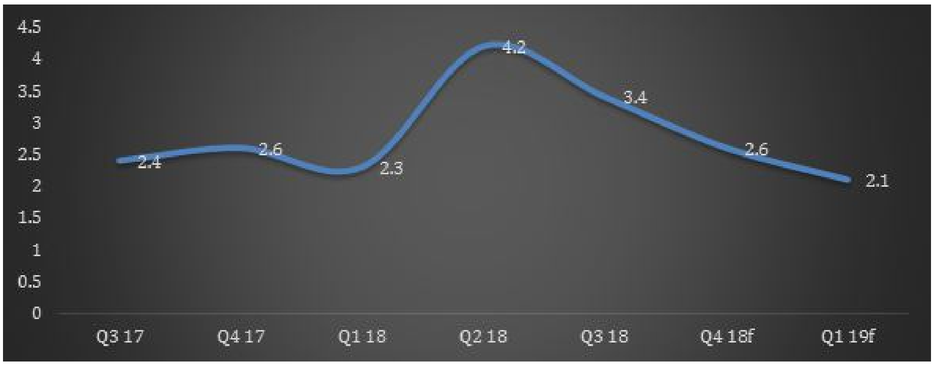
The final quarter of 2018 witnessed an unemployment rate of 3.9%, with the number of unemployed averaging 276 thousand to 6.3 million. This was the highest rate of unemployment recorded since July. A year earlier recorded an unemployment rate of 4.1%, with the number of unemployed persons being 6.6 million.

Annual inflation rate fell from 2.2% in November to 1.9% in December 2018. This rate being the lowest inflation rate since August 2017, corresponded to market expectations. The resulting rate was brought on by lower prices of food, medical services, gasoline and fuel oil.

The US Federal Reserve raised its target range for the federal rate funds to a range between 2.25% to 2.5% during its December meeting. Its reasons for the hike is that the labour market conditions had strengthened and that economic activities have risen at a solid rate. The Federal Reserve committee hinted at two additional hikes in the upcoming year.

In 2019, the economy is poised to cool from 2018's high, with a number of headwinds combining to dampen activity. Though the Federal Reserve is seen slowing its tightening, higher interest rates should nonetheless put a lid on growth, while the stimulus of the 2017 tax cut is set to fade. A still-likely escalation of the trade war with China is the main downside risk and would amplify the ongoing global growth slowdown. A large fiscal deficit and high corporate debt levels are also main medium-term vulnerabilities. Growth is expected to taper to 2.6% in Q4 2018 and 2.1% in Q1 2019.

GDP Growth Rate & Forecast – United States of America



Source: Bloomberg

1.2 EURO AREA

The Eurozone based on Q4 data is expanding at about 0.3% just above the post financial crisis rate. A decrease was recorded in the third quarter as compared to the previous quarters, with GDP only rising by 0.2%. It is also evident that while GDP in the fourth quarter of 2017 was 2.7%, that of 2018 in Q4 fell to 1.7%. This confirms that the Eurozone has hit its slowest level yet, in over four years. While Italy's growth rate slumped significantly to zero, that of France was better off as it grew by 0.4% due to increased consumer and investment expenditure. The slowdown in the bloc's economy was due to negative contribution from external demand. However the slight but positive contribution in the GDP came from household final consumption expenditure, inventory changes, construction and gross fixed capital formation.

Labor market conditions declined to an all-time low of 8.1%, the lowest recorded since November 2008. As expected, the number of unemployed people fell to 13.66 million, much lower than the first two quarters of the year.

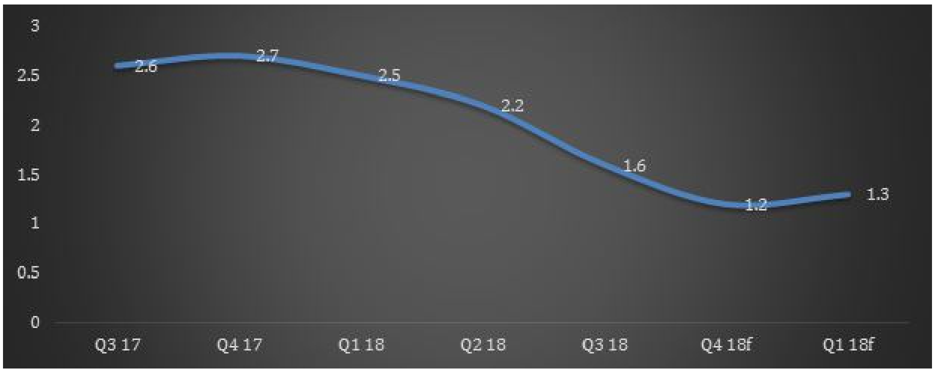
Inflation rates in the Eurozone averaged to 1.6 % in December of 2018 from a previous 1.9% in November, with the services sector being the largest contributor to this change. The pressure on prices came from energy, food and services. Annual core inflation, which excludes volatile prices of energy, food, alcohol and tobacco was revised to 0.9 percent.

At its final meeting for the year, the European Central Bank left its benchmark interest rate unchanged at 0%. it also said it will continue to make net purchases under the asset purchase programme at the new monthly pace of €15 billion until the end of December 2018.

Eurozone's growth momentum has clearly taken a beating and we see weaker momentum persisting in 2019; nevertheless, a resilient domestic economy should keep economic activity in the green. The economy is expected to grow further supported by strong domestic fundamentals while slower export growth will dampen the pace of activity. Economy is expected to expand to 1.4% in Q4 2018 and 1.6% in Q1 2019.

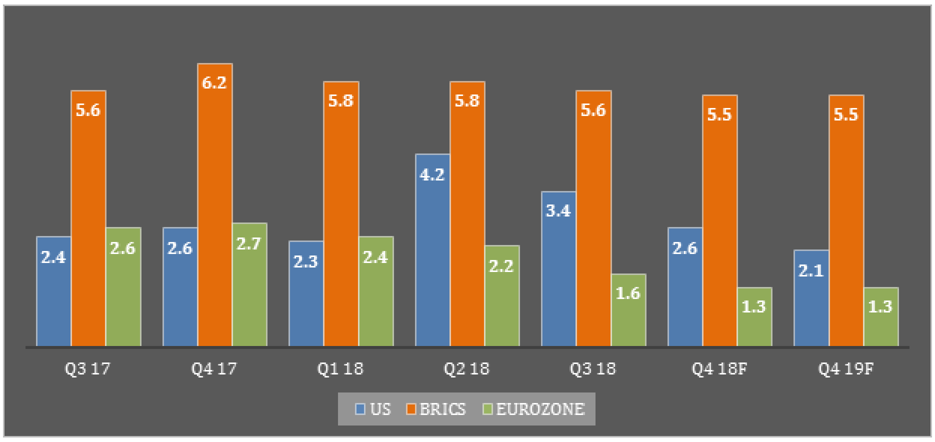
GLOBAL ECONOMY
UNITED STATES/EURO AREA (Euro Area)

GDP Growth Rate & Forecast – Eurozone



Source: Bloomberg

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



Source: Bloomberg

1.3 BRICS

BRICS economies are patching along overshadowed by United States unilateral and protectionist policies that have seen tariffs and trade barriers affect key nations such as China. India is showing strong economic growth albeit at a slower pace. Brazil faced political upheaval as it conducted its Presidential elections while South Africa slowly came out of a recession.

Brazil

Economic growth rate in Brazil has been steady as it recorded positive growth throughout the year. In Q3 2018, the Brazilian economy solidified its growth trend and jumped to 1.3% year-on-year, 0.4% higher than the 0.9%(downwardly revised from 1.2%) printed in the previous quarter. It is the highest growth rate seen in 2018. Government spending, gross fixed capital formation, exports and improved imports supported the growth.

Recent indicators suggests Brazil's economic recovery continued in the fourth quarter. Returning confidence in the economy is expected to have buttressed momentum, with business and consumer sentiment edging December.

Brazil's unemployment rate eased to 11.6% in November 2018, with 12.21 million workers unemployed. A decrease from the 12% seen in the August, according to data from the Brazilian Institute Geography and Statistics Institute (IBGE). Employment rose by 1108 thousand to 93.189 million. It is the highest reading since the series started in 2012 with most job gains occurring in the service sectors.

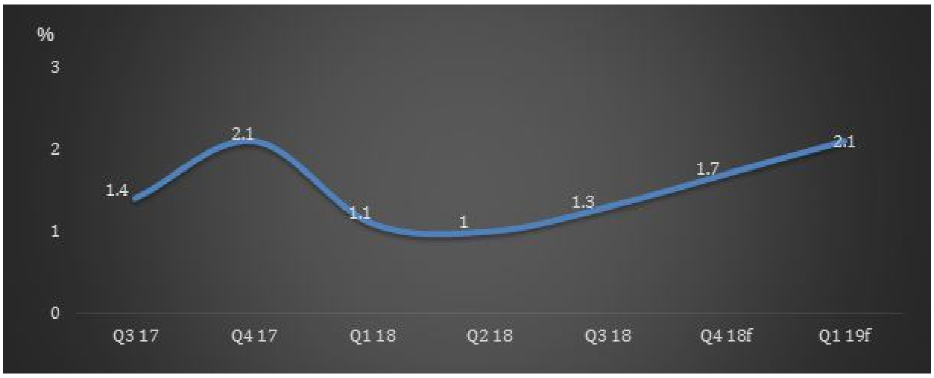
Annual inflation rate in Brazil dipped to 3.75% in December of 2018 from 4.05% in November. It is the lowest inflation rate since May, as prices dropped mostly for food and fuels. The inflation rate finished 2018 within the central bank target of 4.5 percent plus or minus 1.5 percentage points.

The Central Bank of Brazil's Monetary Policy Committee (Comité de Política Monetária, COPOM) retained its interest rate at 6.5% during their last meeting for the year 2018, keeping borrowing costs at the lowest level in modern history. The Bank's decision to hold the selic rate at a record low was driven by contained inflation in Brazil's economy, along with a tough external environment and weak economic growth.

Growth is seen gaining steam in 2019 as household spending and investment growth pick up pace. Recovering sentiment, accommodative monetary policy and a tightening labor market should buttress the domestic economy. The execution of market-friendly reforms remains critical to the recovery. Political uncertainty around the implementation of reforms remains significant and could derail the recovery, but if uncertainty fades and reforms advance as assumed, investment will become stronger.

GDP is expected to rise by 1.7% in Q4 2018 and higher to 2.1% in Q1 2019.

GDP Growth Rate & Forecast – Brazil



Source: Bloomberg

Russia

The gross domestic product (GDP) of Russia advanced by 1.5% year-on-year in the third quarter of 2018, slower than the 1.9% reported in the previous period. The economy lost steam overall in the third quarter, as deteriorating consumption dynamics and a poor performance by the agricultural sector weighed on activity. Output growth slowed for accommodation & food service activities; transportation & storage; public administration & defense; and information & communication as the positive contribution from the soccer World Cup eased.

Russian unemployment rate was reported at 4.8% in December of 2018, same as prior month figure and compared with last year's 5.1%.

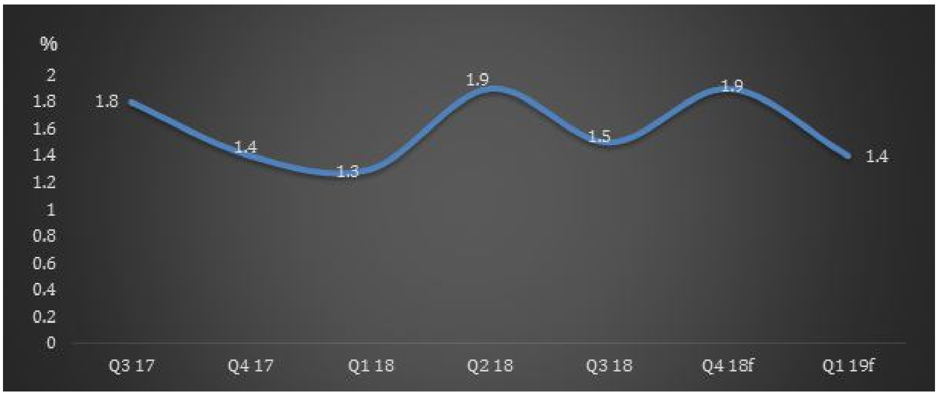
Ratings agency Standard & Poor's affirmed Russia's "BBB-/A-3" credit rating in July, saying the country's external and public balance sheets should enable the economy to absorb shocks from possible new international sanctions. The rating agency kept the country's stable outlook unchanged.

Consumer price inflation increased to 4.3% year-on-year in December 2018 from 3.8% in the November. It was the highest inflation rate since June 2017 on the back of rising prices of food and services while non-food inflation dipped.

The Bank of Russia raised its key interest rate by 25 bps to 7.75% in its December meeting. The decision is aimed at limiting inflation risks that remain elevated, especially over the short-term horizon on the back of the upcoming VAT rate increase.

The economy is expected to slow in 2019, chiefly due to decelerating household spending. A hike in the VAT will likely limit private consumption, while constrained oil output will continue to hold back the energy sector. Softer than expected oil prices or additional tough sanctions remain key risks to Russia's outlook. Growth is likely to come in at 1.9% in Q4 2018 and is projected to be 1.4% in Q1 2019.

GDP Growth Rate & Forecast – Russia



Source: Bloomberg

India

India's economy expanded by 7.1% year-on-year in the third quarter of 2018, a sharp decline from the 8.2% reported in the second quarter. It is the lowest growth rate in three quarters, majorly due to a slowdown in consumer spending amid high oil prices and a weaker rupee.

Consumer price index declined to 2.19% in December 2018, 0.14% lower than November figures. This decline is backed by falling food prices, clothing, housing and fuel. it is the lowest inflation rate seen since June 2017.

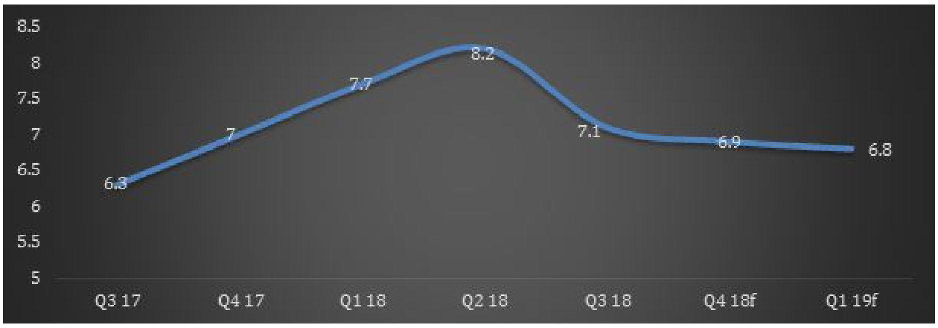
GLOBAL ECONOMY
BRICS

Fitch retained its sovereign rating for the country at 'BBB-', the lowest investment grade with a stable outlook, saying a weak fiscal position continues to constrain the ratings and there were significant risks to macroeconomic outlook. This is the 12th consecutive time Fitch has given the same rating despite government making a strong pitch to Fitch Ratings for an upgrade after rival Moody's Investors Service in November 2017 gave the country its first sovereign rating upgrade since 2004.

The Reserve Bank of India kept its key benchmark rate unchanged in its last meeting for the year which held in December. This is the second consecutive time the bank is maintaining its 6.5% rate and is consistent with a calibrated tightening that aims to achieve a 4 percent +/- 2 percent inflation target and support growth.

Economic growth is expected to remain broadly stable, underpinned by strong government consumption. However, government fiscal slippage, global trade protectionism and oil price volatility all cloud prospects. India economy is expected to grow at 6.9% in Q4 2018 and 6.8% in Q1 2019.

GDP Growth Rate & Forecast – India



Source: Bloomberg

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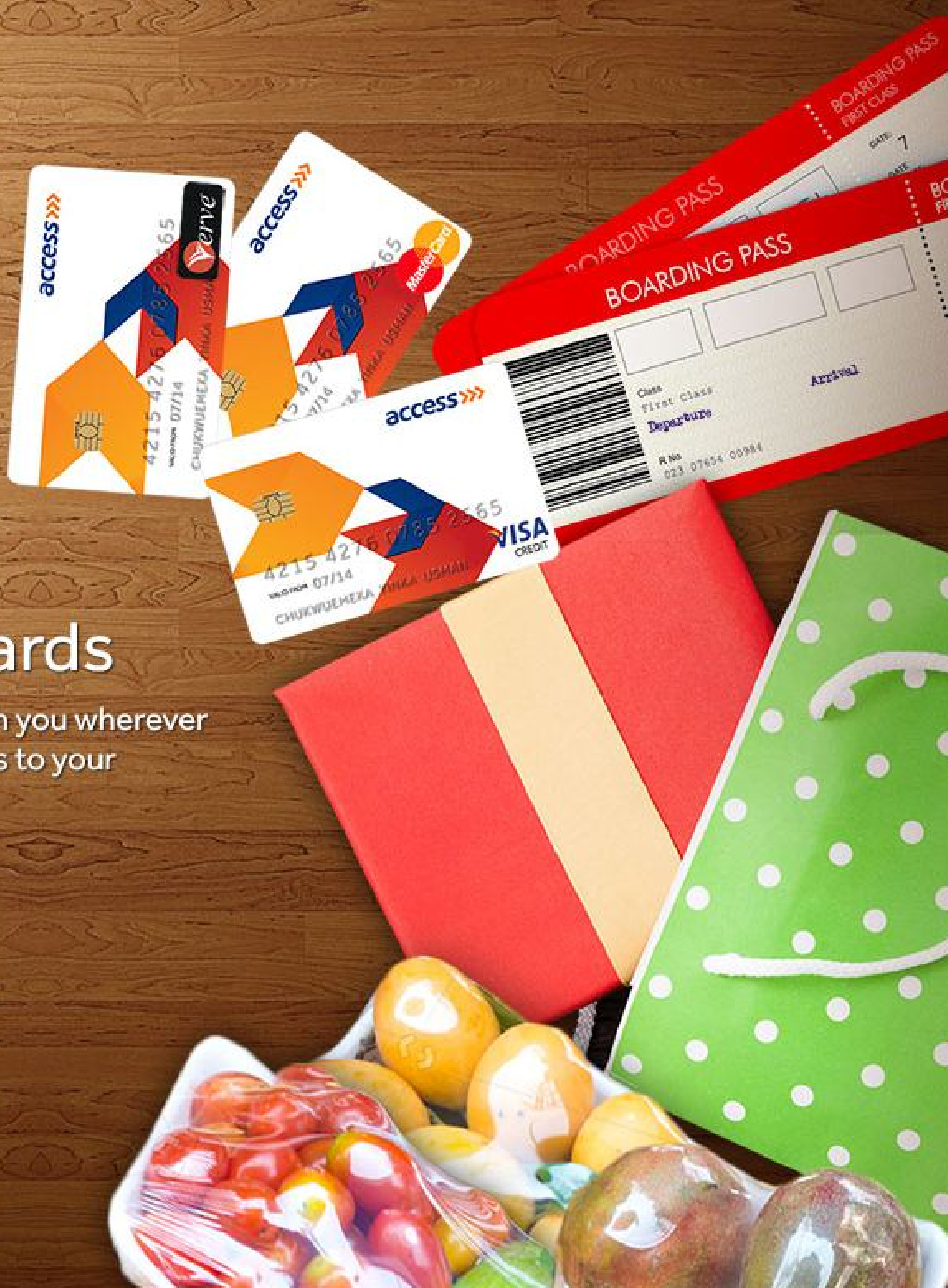

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China

China's economic growth cooled slightly in the fourth quarter from a year earlier. The economy widened by 6.4% year-on-year in the December quarter of 2018, after a 6.5% growth in the prior quarter. It was the lowest growth rate since the global financial crisis, amid intense trade dispute with the US, weakening domestic demand and alarming off-balance-sheet borrowings by local governments. Full year figure grew 6.6% in 2018, the slowest pace in 28 years.

Trade Balance in China expanded $57.06 billion in December 2018 from $53.85 billion in the corresponding period of a year earlier. It was the largest trade surplus since December 2015, as exports fell the most in two years and imports posted the largest drop since July 2016 amid growing disruptions from an escalating trade war with the US and slowing global growth. Exports fell 4.4% year-on-year to $221.2 billion in December, the most in two years, with demand in most of its major markets weakening. Imports also dropped 7.6% from a year earlier to $164.2 billion in December, the most since July 2016. The trade surplus with the US, China's largest export market, dipped to $29.87 billion in December from $35.55 billion in November.

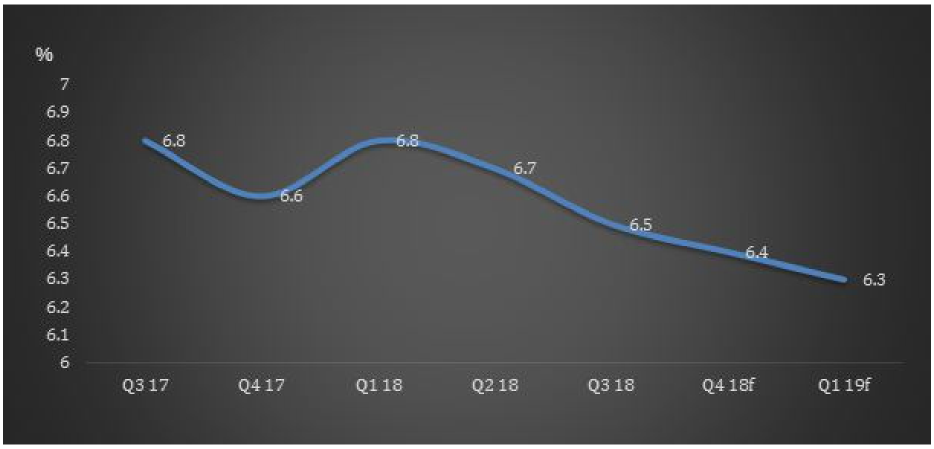
S&P Global Ratings maintained its 'A+/A-1' rating on the People's Republic Of China, citing the government's reform agenda, growth prospects and strong external metrics.

Inflation rate in China eased to 1.9% in December 2018 from 2.2%. The slowdown in inflation was mainly due to non-food prices, while food inflation remained at its lowest level in three months.

Economic growth will remain lackluster in 2019 on the back of moderating domestic growth amid trade tensions between China and the U.S. Although authorities will rely on fiscal and monetary policy support to avoid any sharp slowdown, the scale of the policy stimulus will be rather limited compared to previous initiatives. Growth is expected to fall further to 6.3% in Q1 2019.

GLOBAL ECONOMY
BRICS

GDP Growth Rate & Forecast – China



Source: Bloomberg

South Africa

The South African economy accelerated 1.1% year-on-year in the third quarter of 2018, 0.7% higher than the figure recorded the previous period. It was the strongest growth rate since the last quarter of 2017, mostly boosted by a rebound in agriculture and transport, storage and communication sectors.

Inflation rate in South Africa eased to 4.5% by the end of 2018 from 5.2% in the previous month. This is the mid-point of the central bank's target range of 3% to 6%. It is the lowest annual inflation since May as cost of transport slowed sharply due to stronger rand and lower crude oil prices.

The South African Reserve Bank raised its benchmark repo rate by 25 bps points to 6.75% It is the first hike in borrowing cost since March 2016, amid a rise in the inflation trajectory which continues to deviate from the midpoint of the target range.

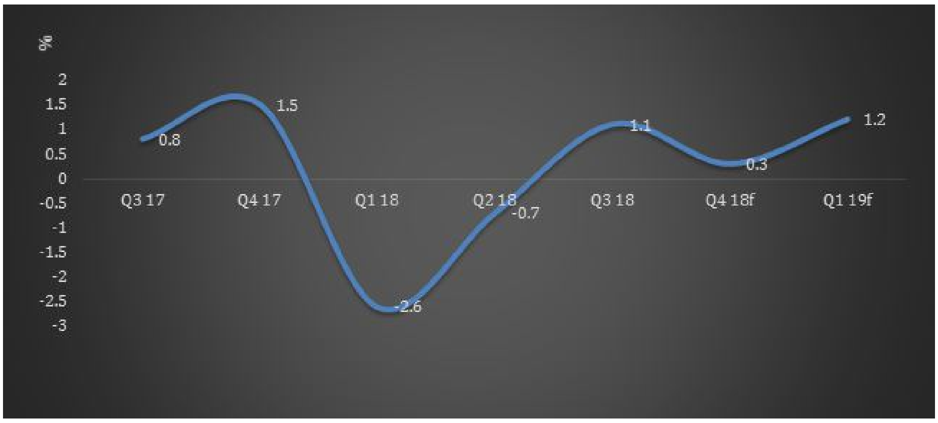
South Africa's unemployment rate rose to 27.5% in the third quarter of 2018 from 27.2% in the quarter two. It was the highest jobless rate since the third quarter of 2017, as the number of unemployed increased by 127,000 to 6.21 million.

Global ratings agency, S&P Global has left South Africa's sovereign rating unchanged in junk status in November 2018. It held South Africa's long-term foreign-currency rating at 'BB', while the long-term local-currency rating stayed at 'BB+'. The agency warned that South

Africa could face a ratings cut if the rule of law is compromised through the policies country and could get an upgrade if economic growth strengthened.

Higher real wages and Ramaphosa's last-ditch fiscal stimulus are expected to lift economic sentiment ahead of this year's elections, stoking household spending and fixed investment, respectively. Key downside risks remain, however. Of particular concern, a credit-rating downgrade by Moody's would trigger large-scale capital outflows and undermine any short-term recovery. The economy is estimated to have grown at 0.3% in Q4 2018 and projected to be 1.2% in Q1 2019.

GDP Growth Rate & Forecast – South Africa



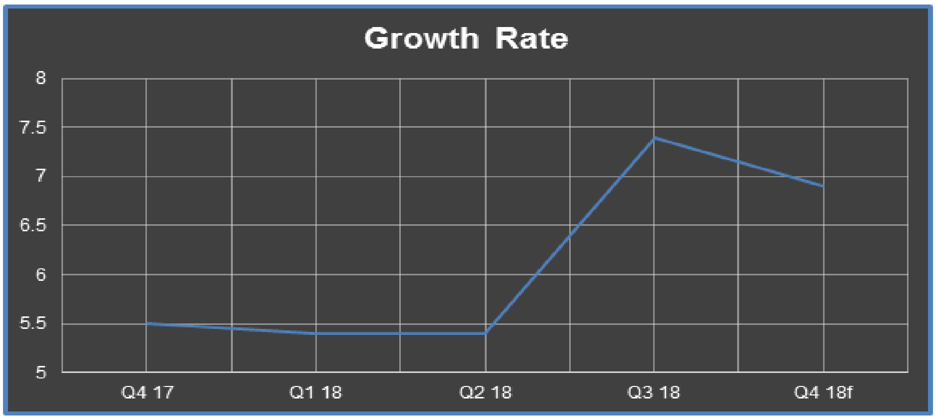
Source: Bloomberg

2.0 AFRICA

2.1 GHANA

The Ghanaian economy accelerated by 7.4% in Q3 2018 from 5.4% in Q1 2018. It was the strongest growth rate since Q3 2017, mostly driven by the industry and services sectors. Inflation rate rose by 9.4% at year end to 10.3% reported in January, while the MPR remained at 17%. The economy should remain steady in 2019 with elevated consumer spending and healthy investment activity growth spearheading the overall expansion. Growth is expected to rise to 6.9% in Q4 2018 and 6.4% in Q1 2019.

GDP Growth Rate & Forecast – Ghana



Source: Bloomberg

2.2 RWANDA

The Gross Domestic Product (GDP) in Rwanda expanded 7.7% year-on-year in Q3 2018, following a 6.7% growth in the previous period, mainly driven by the service sector. Interest rate was set at 5.5% in August 2018, unchanged from figures in May. Inflation stood at 1.1% in December 2018, down from 0.6% in November 2018.

3.0

THE NIGERIAN ECONOMY

THE NIGERIAN ECONOMY

Nigeria's economy expanded at a stable pace in 2018, as it recorded three consecutive growth, albeit at a slower pace than was seen at the end of the previous year. Available data suggests economic activity remained relatively weak in the final quarter of 2018, following a modest showing in Q3 which was propped up by higher oil production. Inflation was on a downward trend for most part of the year, declining from 15.1% in January to as low as 11.14% in July. It however increased slightly by the last quarter of the year but still lower than the start of the year. The inflation rate is expected to continue on an upward trend due to election spending and on the back of increased food price pressures stemming from the effects of the disruption to farming activities caused by flooding and herdsmen violence. The monetary policy rate was left unchanged at 14% by the CBN during the year as it tried to keep the economy stable amidst the capital reversals and up trending inflation rate. Oil prices were high for the most part of 2018, as prices went as high as $85.83. Stronger demand and a tighter supply of the black gold pushed up prices. This development supported the uptrend in the nation's foreign reserves to as high as $47.8 billion from $38.91 billion at the start of the year. However, external reserves, started decelerating by the last quarter of the year in tandem with the oil price drop following over supply. The reserves decline also reflected the increased demand for dollar, due to the repatriation of funds by Foreign Portfolio Investors (FPIs), amidst concerns over the 2019 elections amid political uncertainty. The naira remained mainly stable during the course of the year as a result of the CBN intervention. The naira seemed to have converged as the NIFEX and NAFEX rate closed at almost similar rate of N358/1$ and N364.18/1$ respectively. The economy is expected to gain traction this year, on the back of stronger household consumption and public spending. The recent slide in oil prices and announced OPEC oil output cuts pose downside risks going forward. Political uncertainty over the outcome of next year general election also clouds the outlook.

Below is a snapshot of the domestic economy in 2018.

THE NIGERIAN ECONOMY

Economic growth was sustained as the economy advanced by 1.81% growth in Q3'18 from 1.17% in Q3'17	Credit to Private Sector increased	Naira depreciated by 8% at the interbank market during the course of the year 2018
Nigerian equities index witnessed a decline of 18% from the start of the year	External reserves increased during the period to $42.11 billion from $38.91 at the start of the year	Inflation level improved to 11.44% in December from 15.1% in January
Improved manufacturing sector	Benchmark interest rate maintained at 14%	Oil prices slumped to $52.42 by the end of 2018 from $64.46 in January

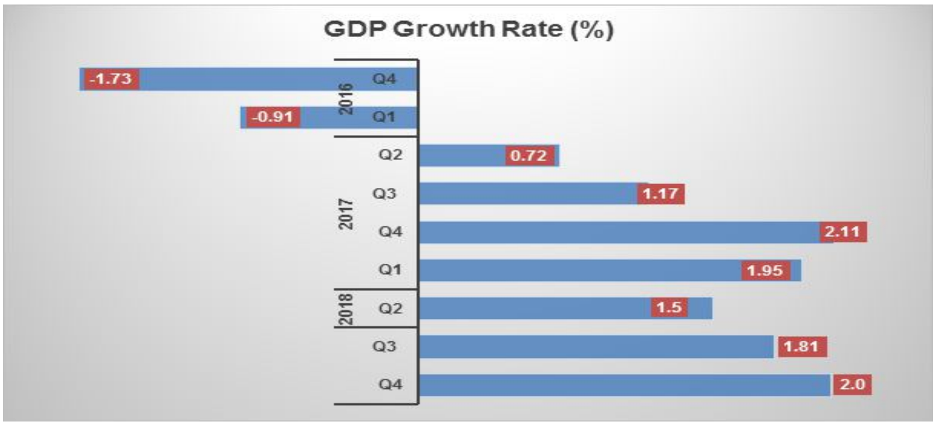
3.1 GDP GROWTH

Real GDP in Q3 2018 grew by 1.81%, a rise from 1.50% in Q2 2018 and an improvement from 1.17% Q3 2017. The estimates imply an acceleration of the nation's economy during the year. This is buoyed by the contribution of the country's non-oil sector, with Information and Technology being the largest contributors.

While the non-oil sector contributed 90.62% to the nations GDP (with a growth rate of 3.08%), the oil sector contributed a mere 9.38%(-2.91% growth rate). More so, in contrast to Q3 2017, oil production slowed in Q3 2018 to a daily production of 1.94 million barrels per day (mbpd), from 2.02 mbpd.

The International Monetary Fund (IMF) recently gave a downward review of its growth forecast for Nigeria's economy to 2.0 percent for 2019 citing decline in crude oil prices.

GDP Growth Rate – Nigeria

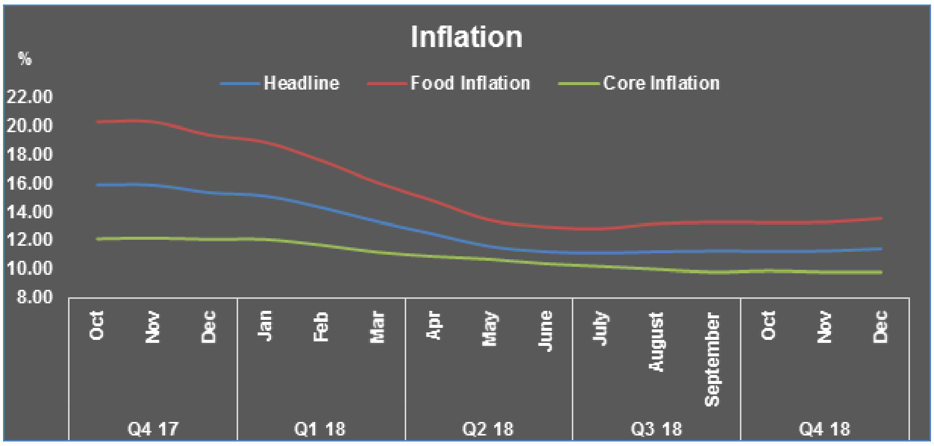


Source: NBS

3.2 INFLATION

Inflation was on a downward trend for the first six months of the year 2018. It declined from 15.1% in January to 11.14% in July but for the rest of the year began an upward climb and closed the year at 11.44%. The inflation uptick stemmed from higher food prices as flooding in several food producing states affected harvests. Food inflation ticked up to 13.6% from a low of 12.9% in July but better than 18.9% reported in January. However, Core inflation witnessed a steady decline and ended the year at 9.8% from 12.1% in January.

Inflation Year-on-Year

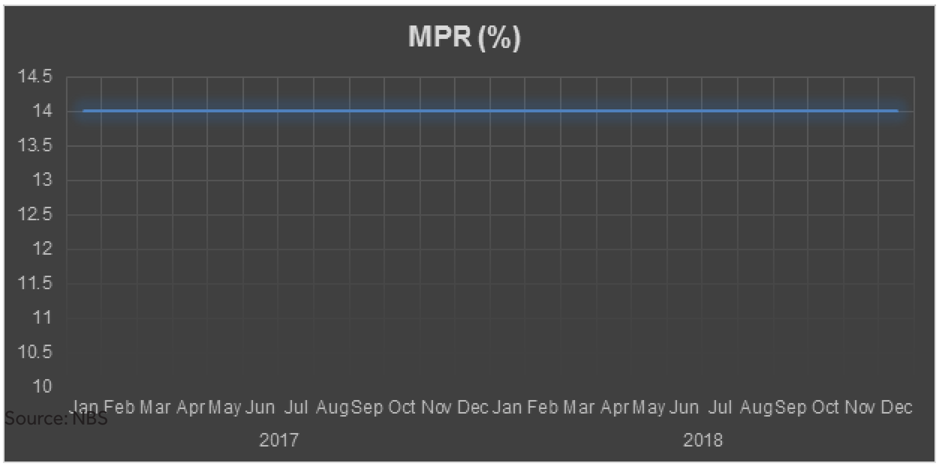


Source: NBS

3.3 MONETARY POLICY

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) in its final meeting of the year held on November 21 and 22, 2018 unanimously decided to leave all rates unchanged, meeting market expectations. The rates stayed the same all through the year in a bid to curb inflation and attract foreign portfolio investment. The monetary policy rate remained at 14%, the liquidity ratio remained unchanged at 30% and the cash reserve ratio stable at 22.5%. Likewise, the asymmetric corridor was maintained at plus 200 and minus 500 basis points around the monetary policy rate. The decision to retain the rates rested mainly on the country's financial stability, modest recovery from the 2016 recession and forecast of high liquidity injection from election related spending.

Trends in MPR



Source: NBS & CBN

3.4 UNEMPLOYMENT

The number of unemployed persons slumped to 20.9 million in the Q3 2018 from 17.6 million in Q4 2017, the latest report on unemployment published by the National Bureau of Statistics (NBS) shows. The unemployment rate in Q3 2018 was 23.1%. Total number of underemployed and unemployed climbed to a rate of 43.4%. Rural unemployment rate stood at 23.9%, whilst in urban areas was lower at 21.2%.

The increasing unemployment and underemployment rates could be attributed to Nigeria's fragile economy despite the exit from recession. Growths in the past three quarters have not been strong enough to provide employment in Nigeria's domestic labor market.

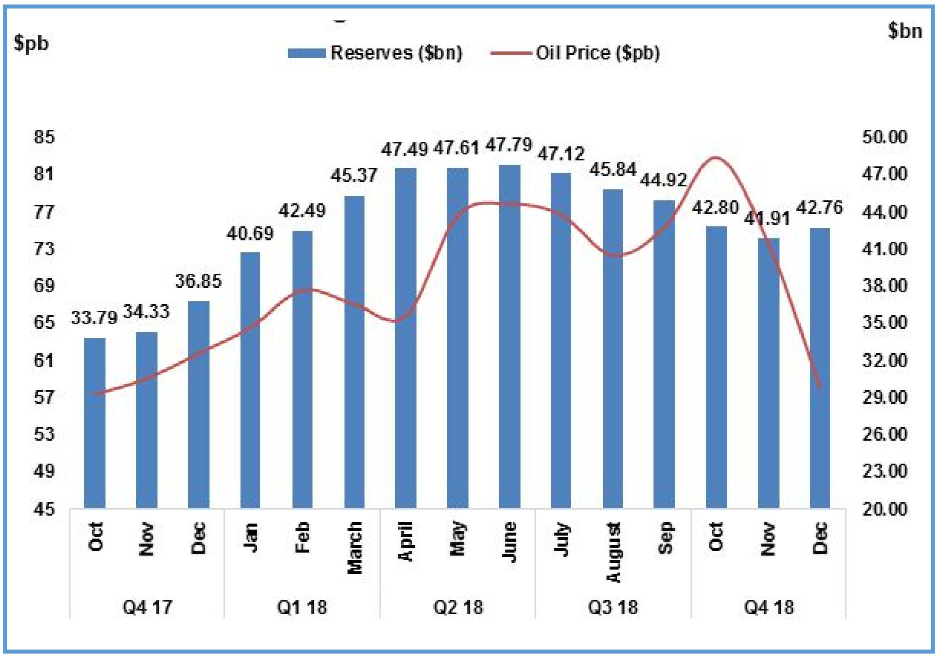
Unemployment Rate Trend (%)

Source: NBS

3.5 EXTERNAL RESERVES

Proceeds from crude oil production and sales make up the bulk of Nigeria's external foreign reserves. The nation's foreign reserves rose from $38.91 billion at the start of the year to a high of $47.86 billion in May. The reserves started to decline by H1 2018 as FPI outflows increased following hike in US interest rates. Year-on-year, the external reserves grew by 18%. To stem the tide of naira depreciation and maintain a stable currency, the CBN aggressively intervened in the market, supplying needed dollars. Oil prices were volatile throughout the year, and it went as high as $85.83 per barrel, the highest seen in three years. It however closed the year 18.7% lower at $52.42 from $64.46 at the start of the year. A major driver of lower prices was the global glut following record oil production from the US.

External Reserves and Crude Oil Price (Bonny Light)

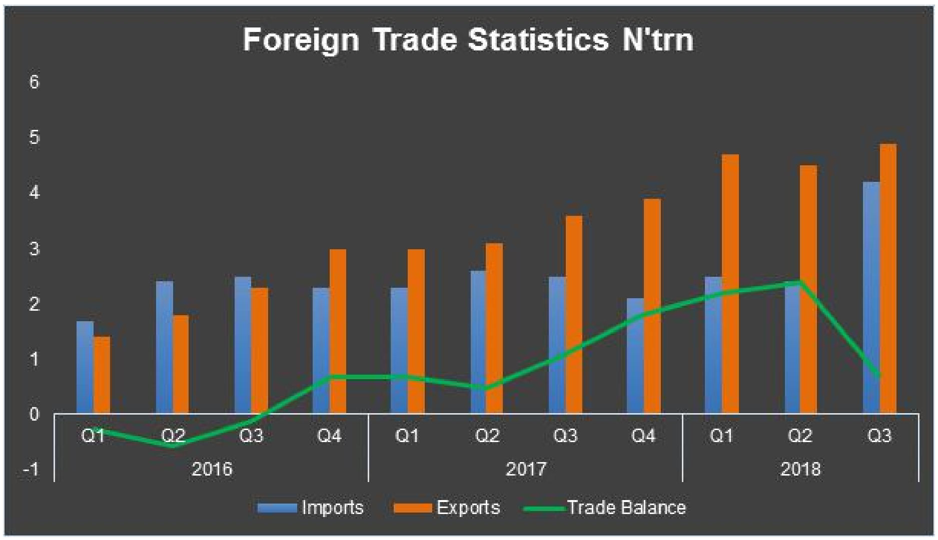


Source: CBN

3.6 EXTERNAL TRADE

External trade in Nigeria increased substantially by N1.8 trillion to N9.03 trillion in Q3 2018 from Q1 2018. Total Imports surged by 65.69% to N4.17 trillion from N2.25 trillion in Q1 2018. Exports rose marginally by 3.5% to N4.85 trillion from N4.69 trillion in Q1 2018. Total trade in the Q3 2018 is 48.84% higher than the same quarter in 2017. While manufactured goods captured the greatest proportion of imports, crude oil and other petroleum related products contributed the most to exports. India topped the list of major export trade partners with about 15.76% contribution to total exports. On the other hand, South Korea, soared as the major import trading partner to Nigeria with a share of 29.11% of total imports, while Russia was the least contributor to imports.

Trends in MPR

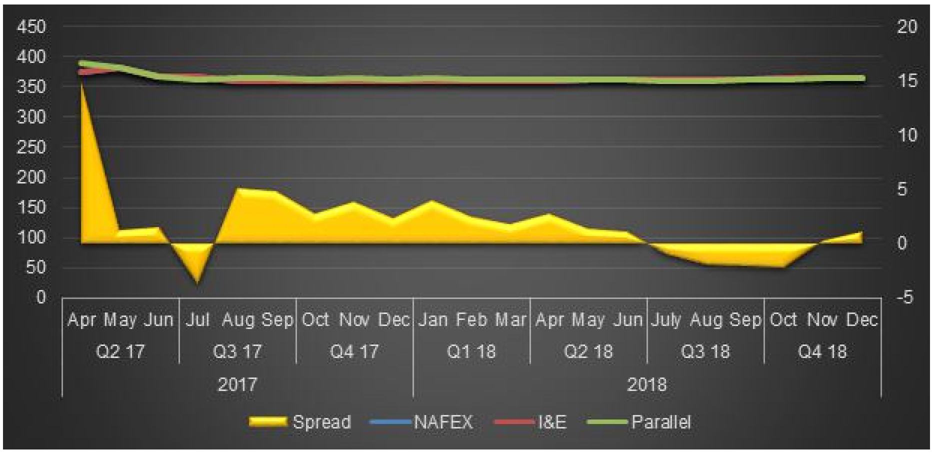


Source: CBN & NBS

3.7 EXCHANGE RATE

Naira remained relatively stable over the course of the year due to the Central Bank's interventions and improved liquidity. As at the December 27 2018, the naira stood at a rate of N307/$ in the CBN official window, a slight depreciation from N305.5/$ in at the start of the year. The NGN lost 0.83% to settle at N364.18/$ on December 31st from N361.16/$ year start at the Investors & Exporters (I&E) window. 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 other hand, parallel market rates remain unchanged at N363/$ as at the December 31st 2018.

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

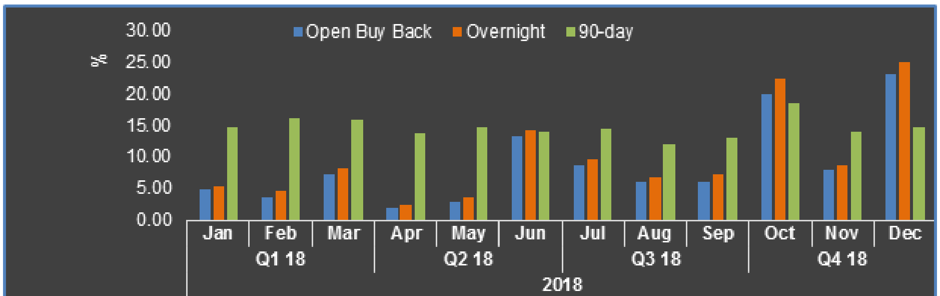


Source:CBN & FMDQ

3.8 MONEY MARKET

Cost of borrowing was volatile throughout the year 2018. Short-dated placements such as Open Buy Back (OBB) and Over Night (O/N) rates went as high as 65% and 73.42% respectively and as low as 1.75% and 2.33% in the year. In the same vein, call rates on NIBOR went as high as 176% in May and low as 2.12% in the same month. Longer dated placements such as 30-day, 90-day and 180-day NIBOR ranged between 11-18% during the year. Rates were determined by the level of systemic liquidity in the market. During periods of liquidity surfeit, the CBN used OMO market operations to mop up excess funds which consequently led to higher borrowing rates.

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



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Open Buy Back	4.83	3.75	7.17	1.92	2.83	13.17	8.58	6.00	6.00	20.00	8.03	22.93
Overnight	5.25	4.50	8.08	2.42	3.67	14.08	9.58	6.83	7.17	22.29	8.78	24.89
90-day	14.72	15.98	15.91	13.58	14.77	14.05	14.45	11.96	13.09	18.58	13.88	14.76

Source: FMDQ

3.9 STOCK MARKET

The Nigerian Stock Exchange (NSE) begun the year 2018 on a positive note but ended the year on a bearish note as the economy witnessed capital outflows, profit taking and negative investor sentiment due to concerns about the political scene. The NSE All-Share Index closed the year at 31,430.50, an 18% decline from the 38,264.70 seen at year start. Meanwhile, market capitalization declined by 14% to close at N11.72 trillion relative to N13.62 trillion recorded at the beginning of January. The decline in gauges of market performance was largely due to significant selloffs by foreign investors, absence of positive market triggers and improved yields in fixed income market (which created a more attractive alternative investment for investors).

Nigerian Stock Exchange All Share Index and Market Capitalization

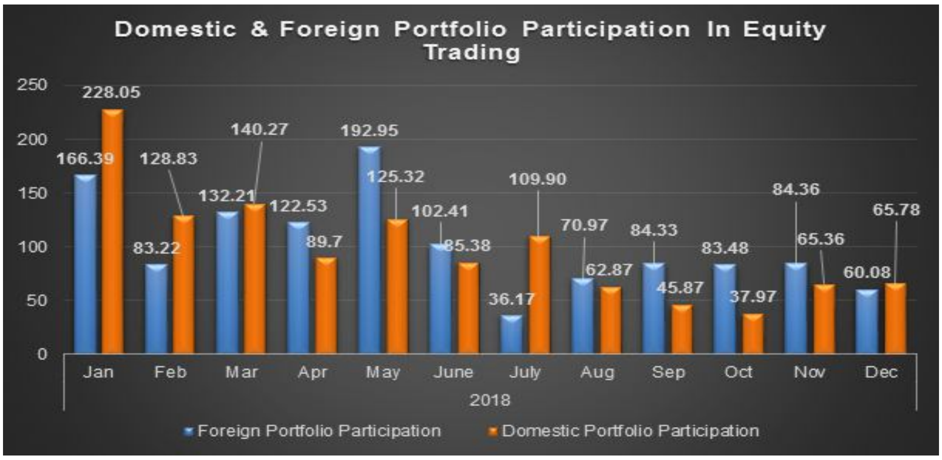
2018	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Market Cap.	15.89	15.55	14.99	14.95	13.80	13.87	13.41	12.89	11.96	11.83	11.20	11.72
ASI	44344	43331	41505	41268	38105	38279	37,017	35,311	32,766	32,403	30,672	31,430

Source:CBN & FMDQ

3.10 PORTFOLIO INVESTMENT – NSE

Cumulative transactions in the Nigeria Stock Exchange (NSE) from January to December reduced by 5.44% to N2.404 trillion in 2018 from N2.542 trillion in 2017. Foreign transactions declined by 63.89% to N60.08 billion in December from N166.39 billion in January. Likewise domestic transactions dipped by 71.16% to N65.78 billion from N228.05 billion in January. Foreign inflows also declined by 25% to N22.97 billion compared to N91.75 billion reported in January.

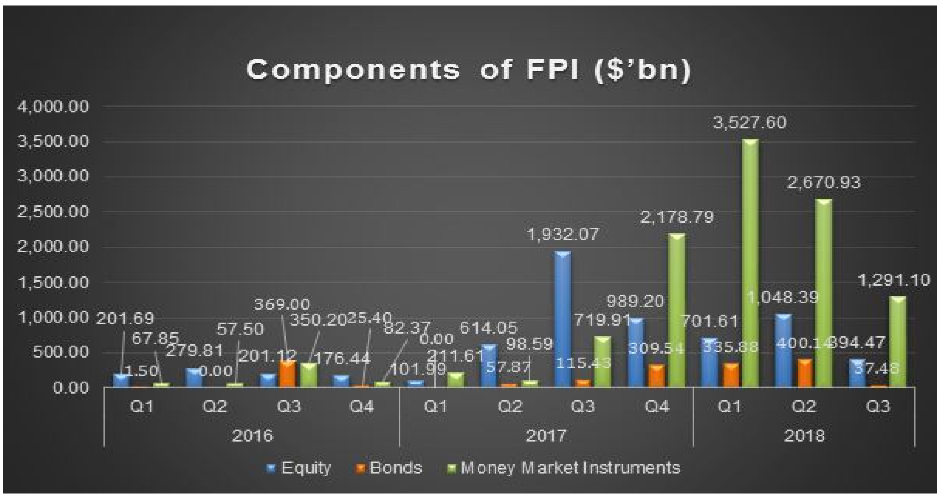
Domestic & Foreign Portfolio Participation in Equity Trading



Source: NSE

3.11 CAPITAL IMPORTATION

Capital importation shrank to $2.9 billion in Q3, from $6.30 billion as at Q1 2018, a 48.21% decrease. The decline was largely due to net portfolio inflows of only $1.7 billion in Q3 2018, compared against $4.56 billion in Q1 2018(a 62% drop). Similarly other investment dropped to $601 million from $1.49 billion in Q1 2018, a 59.66% loss. Contrastingly, foreign direct investment jumped by 115% to $530.6 million from $246.62 million recorded in Q1 2018. Portfolio investment remained the highest contributor to capital importation. U.S. foreign direct investment constituted the bulk of capital investment at $911.33 million.

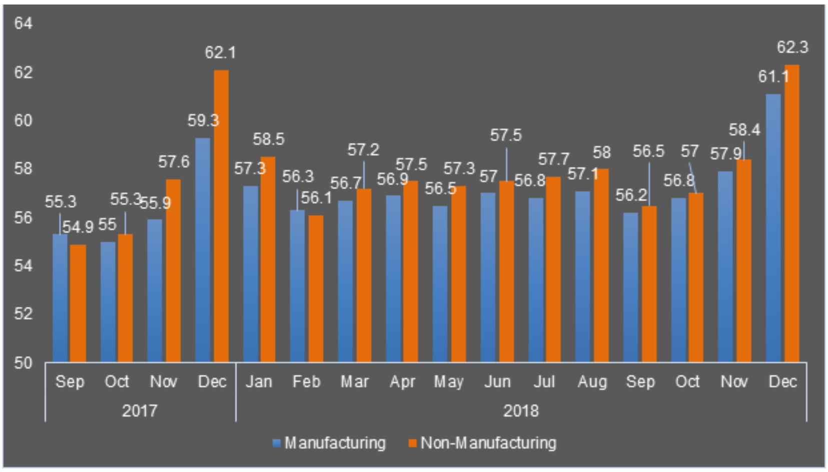


Source: NBS

3.12 PURCHASING MANAGERS' INDEX (PMI)

The Manufacturing PMI closed at 61.1 index points in December from 57.3index points in January. The index point remained above 50 during the year which is the threshold that separates expansion from contraction. From the total of the 14 subsectors covered, only primary metal subsector recorded decline at the end of the year. Similarly, the composite PMI for the nonmanufacturing sector stood at 62.3 points in December 2018 from 58.5 points at the start of the year, indicating expansion in the nonmanufacturing PMI for the twentieth consecutive month.

Purchasing Manager's Index (PMI)



Source: CBN

3.13 CREDIT RATINGS

Moody's, a global rating agency downgraded the Nigeria government to B2 stable in June 2018. S&P Global Ratings affirmed its 'B/B' long- and short-term sovereign credit ratings on Nigeria. Fitch, another prominent rating agency assigned Nigeria's long term foreign currency Issuer Default Rating (IDR) at a B+ with a negative outlook. The ratings to the country reflects the inability of the government to address the key structural weakness exposed by the oil price shock by broadening the non-oil revenue base and high debt servicing costs.

3.14 SOCIO-ECONOMIC LANDSCAPE

The socio-political 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.

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.

In July, President Buhari declined his assent to Petroleum Industry Governance Bill. It was revealed that the president declined it for various reasons such as the provision of the Petroleum Industry Governance Bill permitting the Petroleum Regulatory Commission to retain as much as 10 per cent of the revenue generated.

In October, the President ordered full implementation of Executive Order 6 (EO6) and with the implementation of this presidential directive, 50 high-profile persons have been placed on watch-list and restricted from travelling out of the country. The directive was sequel to the judicial affirmation of the constitutionality and legality of EO6. A number of enforcement procedures have been put in place, including monitoring of the financial transactions of these persons of interest.

In November, the President approved N30, 000 minimum wage effectively ending the first phase of the workers' struggle for pay increase. The president, who said he was committed to seeing the new wage come into fruition, chronicled all the events leading to the final resolution, saying he was regularly briefed on updates on the negotiations and promised that the government would continue to engage the organised labour wherever necessary.

On 19th December, the President of the country presented the 2019 Appropriation Bill of N8.83 trillion to a joint session of the Senate and House of Representatives. The 'Budget of Continuity', as titled is N300 billion lower than the N9.1 billion being implemented for the current fiscal year. According to the budget proposal, projected revenue stood at N6.97 trillion, representing about 3% lower than the 2018 estimate of N7.17 trillion with an estimated fiscal deficit N1.86 trillion.

3.15 FINANCIAL SECTOR DEVELOPMENTS

Among others, the following were some of the developments in the financial sector over the course of 2018.
The Central Bank of Nigeria, in the first quarter of 2018 mandated all authorised dealers of foreign exchange to cease taking charges for invisible transactions (Business and Personal Travel Allowance, and school fees).

In Q2, the CBN laid out guidelines to stimulate the flow of credit to the real sector of the economy. This objective was to be achieved by incentivising Deposit Money Banks and Triple A-rated companies to lend more to manufacturing and agriculture, as well as to issue long term corporate bonds.

It also 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.

Further to this, the Central Bank of Nigeria (CBN), in May, 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 Q3 2018, the Central Bank of Nigeria revised the rules of the Nigeria Bankers' Clearing System (NBCS). The new rules took effect on the September 1, 2018, and supersede any previous NBCH rules.

A Consumer Complaints Management System (CCMS) was developed by the CBN in Q4 2018. The system which was developed to ease complaint management was issued as a mandate to Banks and Other Financial Institutions (BOFIs) and expected to take effect from 2nd January, 2019. With this in place, BOFIs are required to assign tracking numbers for every customer complaints, as well as upload the complaints to the CCMS.

In addition to this, the CBN as at November introduced a special intervention day (every thursday) to sell $15,000 to Bureau De Change (BDC) operators in the country. This is in response to the increased demand for personal travel allowance by customers and yuletide season.

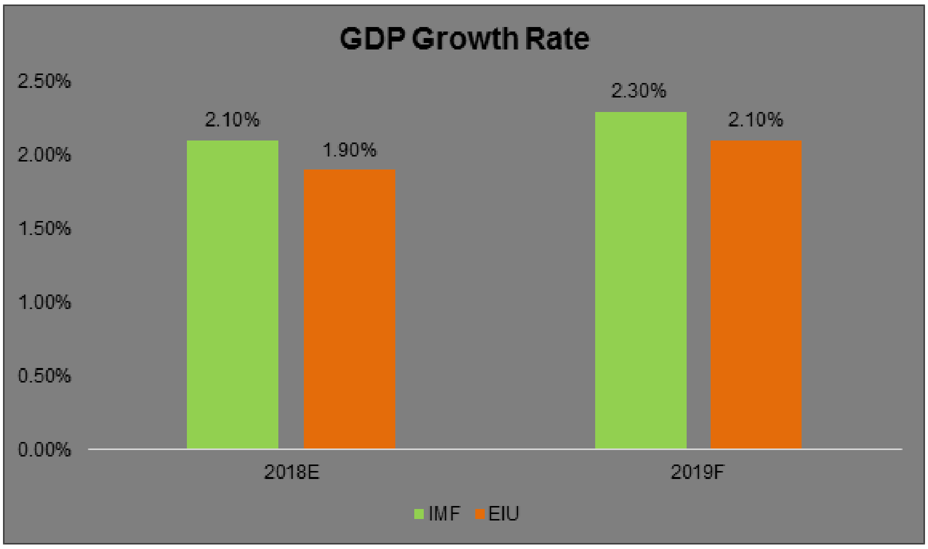
OUTLOOK FOR FULL YEAR 2019

Elections

Economic activities in the first quarter of the year may be dwarfed by the events leading to the upcoming elections. The incumbent offers potential stability and policy consistency even as the major opposing presidential candidate has positioned himself as a supporter of deregulated markets. Our view is that broad-based political stability will endure. Democracy will become increasingly entrenched and social unrest, while likely to increase, will remain contained at a sub-regional level.

Economy

The International Monetary Fund (IMF) projects growth to increase to 2.3% in 2019 from 0.8 % in 2017 buoyed by recovering oil production and prices. However, economic growth may be constrained by the weak policy environment and dire infrastructure provision. Meanwhile, some of the headwinds in 2019 are currency volatility, fiscal strain as well as policy instability.

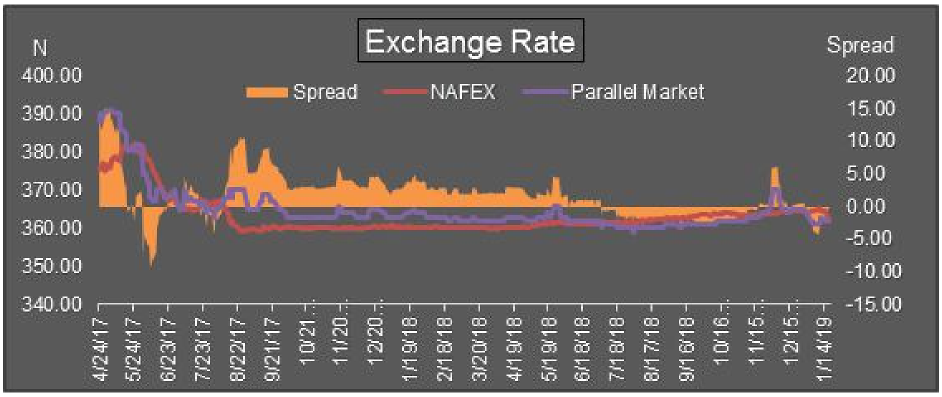


Source: IMF, Economic Intelligence Unit of Access Bank

Foreign Exchange

While we see the Central Bank of Nigeria holding the line ahead of the elections, lower oil prices and monetary policy tightening in developed markets will continue impacting investors' sentiment towards emerging markets, resulting in depreciatory pressure on the Naira. Hence, we envisage a weakening of the exchange rate by 5% to 10% depreciation as we approach the end of 2019.

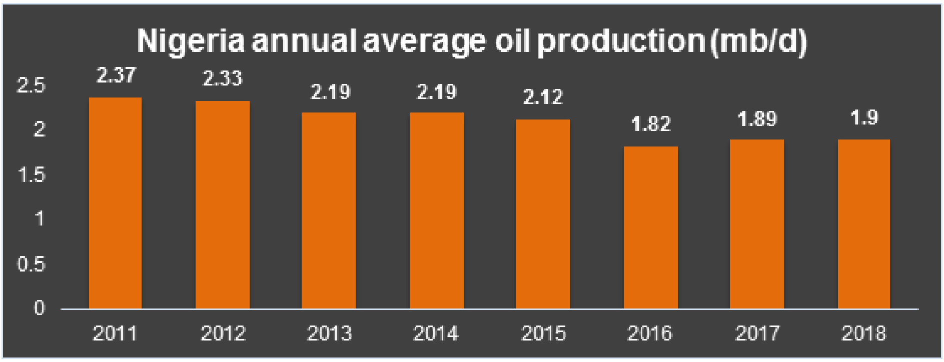
OUTLOOK FOR FULL YEAR 2019



Source: IMF, Economic Intelligence Unit of Access Bank

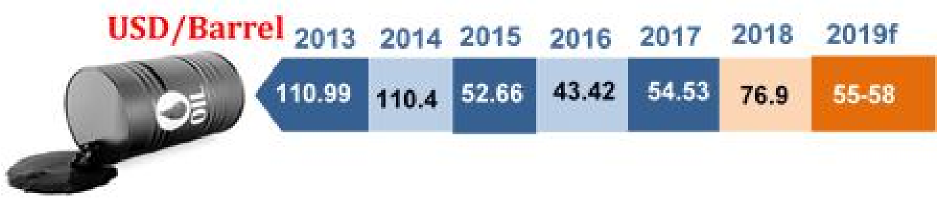
Oil

Nigeria's oil production remained relatively stable in the 2018, averaging 1.93 mb/d up until the third quarter of the year, according to the Bureau of Statistics. With the coming onboard of EGINA FPSO (Floating, Production, Storage, and Offloading) by the tail end of 2019, production in the oil sector should be sustained in the year 2019 as the facility has a 200,000 barrels a day capacity.



Source: NNPC

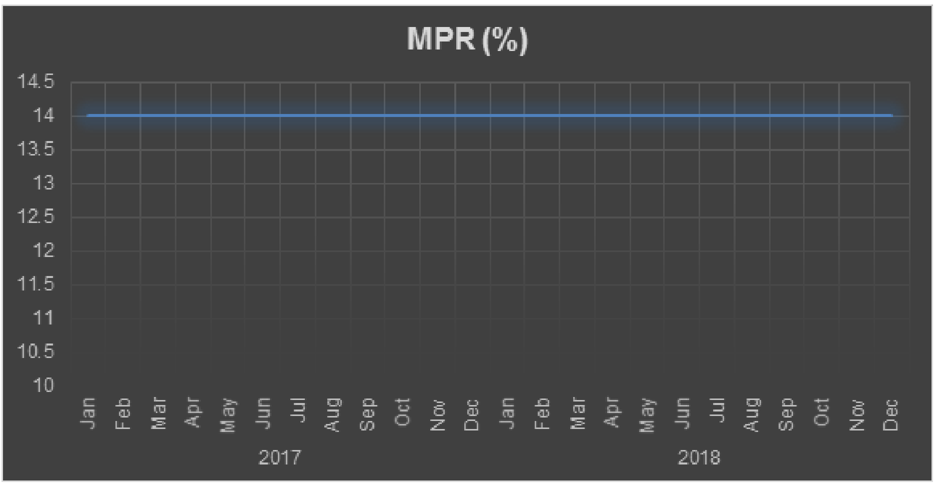
While the general OPEC agreement on additional supply cuts could still support the market in the months ahead, booming US shale supplies mean oil prices will remain pressured in 2019.



OUTLOOK FOR FULL YEAR 2019

Monetary Policy

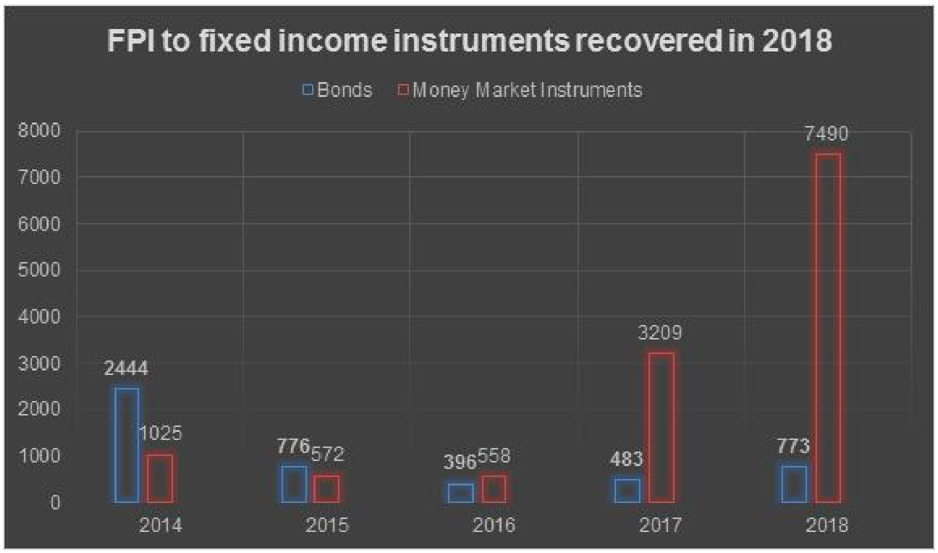
We anticipate that price and exchange rate stability would remain top priority for the Central Bank of Nigeria (CBN), thus monetary easing is not foreseen in early 2019. Amid sustained pressure from capital outflows and mild resurgence in inflationary pressures in 2019, we expect the MPC to hike rates by 100bps by the second half of the year.



Source: CBN

Foreign Portfolio Investments

FPIs may remain weak in 2019 due to the monetary tightening in the United States as well as a deterioration in trade relations between the two world economic powers. We envisage foreign investors will sit on the sidelines and observe even with the upcoming elections in the early days of 2019.

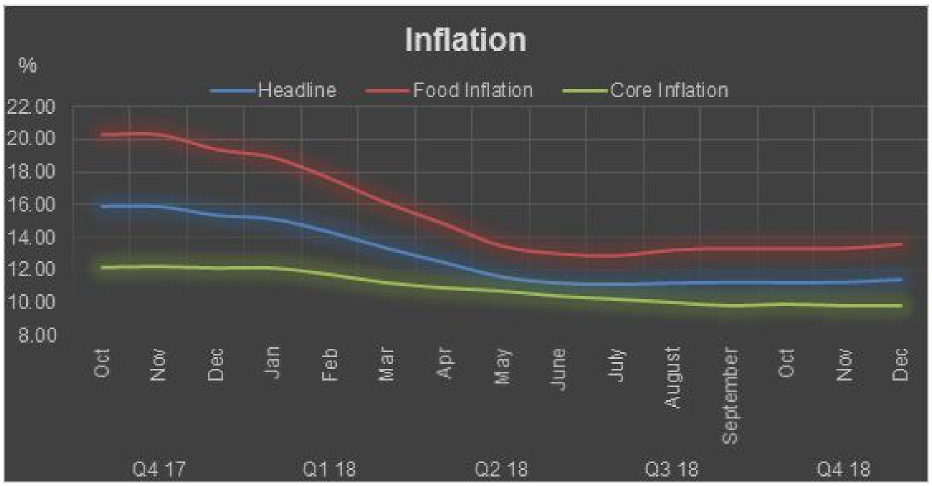


Source: CBN

OUTLOOK FOR FULL YEAR 2019

Inflation

Inflation is set to continue rising over the coming months on the back of increased food price pressures (as Nigeria feels some of the effects of the disruption to farming activities caused by flooding and herdsmen violence), and higher government spending in the run-up to the February presidential and legislative elections. A further upside to inflation would be the implementation of the proposed minimum wage hike. Consequently, we expect inflation to average 13% over 2019.



Source: CBN

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