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ACCESS
ECONOMIC QUARTERLY
2015 FULL YEAR

SPEED SERVICE SECURITY

IN THIS EDITION

ACCESS ECONOMIC QUARTERLY
FULL YEAR 2015

CONTENT DEVELOPMENT

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1.0

GLOBAL ECONOMY

GLOBAL ECONOMY

Global growth yet again failed to take off in 2015, constrained by a combination of a slowing manufacturing sector in the US, another downturn in Japan, a further slowing in China and deep recessions in Brazil and Russia. As a result global growth remained uneven and stuck around 3%.

Moderate economic growth worldwide was accompanied by a slow, and – in some countries – negative price growth. The persistently low global inflation was largely driven by developments in commodity prices, which, after a sharp decline in 2014, showed no clear signs of rebounding.

Global commodity prices continued to decline in 2015 amid sustained oversupply, relatively weak global demand, and a slower growth. Oil prices (Brent) tumbled to a level between $30 and $40 per barrel in December from $66.71 per barrel at the beginning of the year.

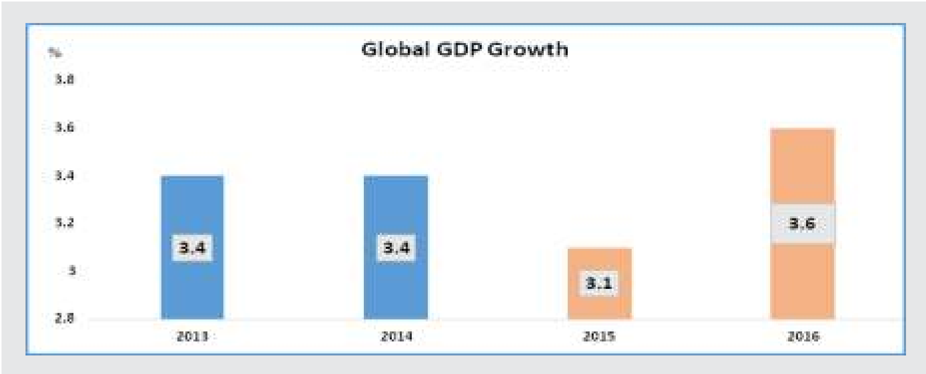
Given the great concern among central banks about subdued inflation and low inflation, central bank policy remained broadly accommodative. Thus, while the US Federal Reserve (Fed) hiked its policy interest rate after seven years at zero, central banks in China, Europe and Japan continued to ease in the face of sub-par growth and the deflation threat.

In its update on the health of the world economy, the IMF in October predicted an expansion of 3.1% in 2015, 0.2 points lower than it was expecting three months earlier and the weakest performance since the trough of the downturn in 2009. The downward revision was mainly driven by the increased global uncertainty over recent months, including a weakening Chinese economy.

In 2016, many of the key themes that shaped 2015 are likely to remain in play, namely concerns about emerging markets growth prospects, uncertainty about China and the path of Fed tightening. Commodity prices should remain subdued, supportive of activity in

GLOBAL ECONOMY
UNITED STATES/EURO AREA

Global GDP Growth



Source: IMF

1.1 UNITED STATES

In their third (and "final") estimate of the US GDP for the third quarter of 2015, the Bureau of Economic Analysis (BEA) reported that the economy grew at a 2% annualized rate, down 0.1% from their previous estimate - and down nearly 2% (1.9%) from the second quarter. Almost all of the revisions in this report were minor, with the largest changes involving the inventory data. Inventories were reported to have been contracting at a -0.71% annualized rate, a -0.12% deterioration from the -0.59% contraction rate reported in the previous estimate.

The Fed increased its target range for the benchmark federal funds rate to 0.25% - 0.50% from 0.0% - 0.25%, as widely expected at its December Federal Open Market Committee (FOMC) meeting. Substantial improvement in the labour market, with the unemployment rate falling to April 2008 levels (5.0%), and strong private consumption growth gave the Fed confidence to increase the federal funds target band by 25 basis points.

Low commodity prices, especially for oil, kept headline Consumer Price Index (CPI) subdued. November's print was 0.5% year-on-year (y-o-y) which represented a modest uptick from October's figure of 0.2% y-o-y. Core CPI, which excludes food and energy, rose 2.0% y-o-y, which was slightly above the year-to-date (ytd) average of 1.8% y-o-y.

Industrial production continued to trend lower as headwinds from a strong US dollar, reduction in energy-related capital expenditures, and weak emerging market demand weighed on the manufacturing

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sector. November's figure ticked down to 0.6% y-o-y from a month earlier. Industrial production growth averaged just 2.46% y-o-y over the past twelve months. Capacity utilisation has been in a downtrend since July 2014 and the rate ticked further lower in October to 76.95% from 77.48% in the previous month. Nevertheless, the rate is still above its fifteen-year average of 76.8%.

The preliminary November print of the University of Michigan's index of consumer sentiment came in at 91.8, up from 91.3 in November. Meanwhile, the National Federation of Independent Business (NFIB)'s index of small business optimism fell from 96.1 in October to 94.8 in November.

Retail sales growth fell slightly in November, to 1.4% y-o-y, down from 1.7% in October. On a month-on-month basis, sales grew by only 0.2%. Excluding autos and gas, the latter of which has declined in price in line with crude oil, retail sales are stronger coming in at 0.6%, up from 0.2% y-o-y in October.

The unemployment rate remained unchanged at 5.0% in December while nonfarm payrolls increased by 292,000, bringing the total, for 2015, to 2.65 million jobs. December's job gains were primarily in professional technical services, construction, and healthcare which offset declines in information and mining. Manufacturing, trade, and transportation employment remained relatively unchanged.

The outlook for the US economy remains positive. The economy should be driven predominantly by a healthy expansion of consumer spending, plus some outsized gains in residential investment as the housing market continues to tighten. However, multiple headwinds notably a strong US dollar along with weak external demand will impede growth in the US' manufacturing sector. Reductions in energy-related capital expenditures due to the sustained low oil price environment and tepid external demand will further exacerbate this trend in the months ahead.

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1.2 EURO AREA

The Eurozone posted moderate growth of 0.3% in the three months ending September, marking a slight deceleration from the 0.4% growth rate seen in the second quarter. Meanwhile, on an annual basis, final Q3 GDP also confirmed the preliminary reading, standing at 1.6% in the reported quarter, and slightly better than in the previous quarter. Positive growth impulses mainly came from domestic consumption. Both private and public consumption contributed to domestic demand. The main drain on third-quarter growth was external trade, as imports grew more strongly than exports.

More recent data indicated that growth momentum remained solid in Q4. The Composite PMI came in at 54.0 in December (November: 54.2), supported by healthy developments in both the manufacturing and services sectors. The highlight of the survey in December was a further rise in employment due to an increase in new business.

Private consumption continued to benefit from a drop in oil prices, an expansionary monetary policy and a gradual improvement in the labor market. The unemployment fell to 10.5% in November from a revised 10.6% in October, reaching the lowest level since October 2011.

The latest CPI release showed that price growth in the euro area remained tepid, far below the ECB's medium-term target of year-on-year inflation of close to 2%. Euro area annual inflation was 0.2% in December 2015, unchanged from November.

At its December 3rd policy meeting, the ECB took several steps to ease monetary policy further. The Governing Council decided to cut the deposit rate by 10 basis points to-0.3%, which was on the low side of expectations. The main refinancing rate (0.05%) and marginal lending rate (0.3%) were left unchanged. The ECB also announced that its asset purchase program (APP) will be prolonged by six months until March 2017 or beyond, but the amount of monthly purchases remained at €60 billion per month.

The main motivation for the dovish shift in the ECB's stance was concerns about the external environment, notably weakness in emerging markets, the recent strengthening in the euro exchange rate, and a further decline in commodity prices, which "continue to signal downside risks for growth and inflation".

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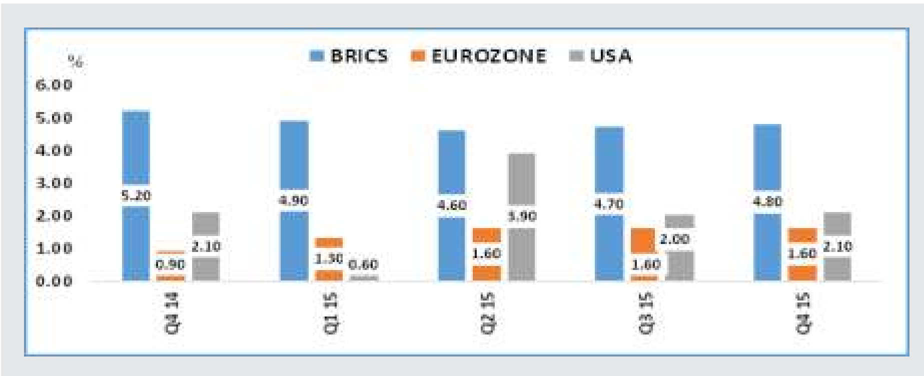
UNITED STATES/EURO AREA

Lending conditions largely continued to improve in the third quarter, spurred by the ECB's asset-purchase programme and tighter competition among banks. In its quarterly Bank Lending Survey (BLS), the ECB said Eurozone lenders reported a net easing of credit standards in their business loan operations as well as further improvements in net demand for loans to enterprises over the third quarter and expect to see demand increasing further still in the final three months of the year. 39% of banks surveyed said they used the Expanded Asset Purchase Programme (EAPP) to extend new business loans, compared to 32% in the previous poll, while 36% said it was used to support consumer credit - up from 18% - and 14% new house purchase loans - down from 17% in the second quarter survey.

Overall, the Eurozone economy should enter 2016 supported by a rebound in capital spending and the prospect that all components will contribute to growth. But eroded competitiveness, ongoing fiscal restraint and demographic decline will keep GDP growth contained. Heading into 2016, a challenging political landscape looms on the horizon for the Eurozone. The influence of populist parties, both from the right and the left, is gaining momentum in Europe and their national political agendas represent a risk to Eurozone policies, such as calls to open borders and migration, austerity measures as well as crisis management. Also, UK's possible exit of the EU will deal a blow to European integration.

GDP Growth Rate & Forecasts – Regional Comparison



Source: Bloomberg

1.3 BRICS

Once hailed as the building blocks of global growth, the BRICS nations' economic momentum is now crumbling. Brazil and Russia are in full blown recessions, China is trying to stave off a big slow down, South Africa remains mired in a myriad of structural challenges and India, while still a shining light, is struggling to put through the economic reforms that would help it reach its full potential.

China

China's real GDP growth slowed to 6.9% y-o-y in Q3 2015, its slowest pace since Q1 2009, as manufacturing and construction activity continued to act as a drag. The expansion reflected a modest deceleration from Q2 2015's 7.0% print.

In the fourth quarter, China's economy showed little signs of an incipient recovery in momentum, with a wide variety of indicators pointing towards a pronounced slowdown.

A closely-watched survey of China's manufacturing activity showed the sector's pace of contraction quickened in the final month of 2015. The Caixin/Markit manufacturing purchasing managers index came in at 48.2 in December, down from 48.6 in November, leaving it in contractionary territory for a fifth-straight month.
China's trade activity, which was a drag on growth in Q3, continued to worsen in November, as reflected by the fifth consecutive decline of exports and the 13th consecutive decline of imports in 2015. Total exports recorded a 6.8% y-o-y drop in November, following from October's contraction of 6.9% y-o-y, and bringing the decline to 3.0% y-o-y. Total import contracted by 8.7% y-o-y, marking the first single-digit fall since August, but bringing the year to date contraction to 15.1% y-o-y.

As opposed to the tepid momentum seen in the construction and manufacturing sectors, China's services sector continued to power ahead, denoting a nascent shift in the structure of the economy. According to the National Bureau of Statistics (NBS), retail sales grew by 11.2% y-o-y in November, which also marked the fastest pace year-to- date.

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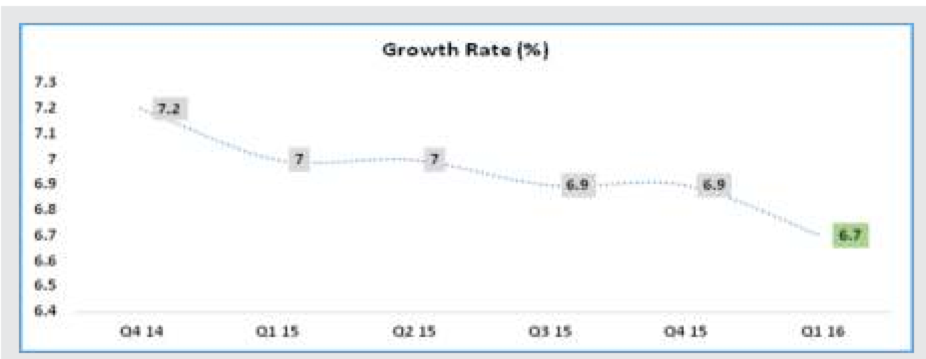
Over the past several months, policy support continued to be broad-based through expansionary fiscal policies combined with monetary policy easing. In October, the central bank announced an expansion of the credit-asset pledged re-lending program to more provinces, which is aimed at cutting borrowing costs and channelling more funds to SMEs, as well as another cut in both interest rate benchmarks and required reserves. Benchmark interest rates were cut by 25 bps, the sixth interest rate cut since November 2014, bringing down the one-year benchmark lending rate and deposit rate to 4.35% and 1.5%, respectively.

In August, China stunned the world's financial markets by devaluing its currency for a second consecutive day, triggering fears its economy was in worse shape than investors believed. The move sent shockwaves through global markets, pushing shares sharply lower and sending commodity prices further into reverse as traders feared the move could also ignite a currency war that would destabilise the world economy

The International Monetary Fund's (IMF) Executive Board in November agreed to add the Chinese Yuan to its reserve currency basket known as Special Drawing Rights (SDR). Inclusion represents public acknowledgement of China's importance in the global economy.

The deceleration of the Chinese economy is expected to continue over the coming years, but the government is expected to continue its efforts to sustain GDP growth near its 7% target for 2015. Manufacturing activity is expected to remain subdued over the coming quarters as weak external demand and poor profitability weigh on the production outlook.

Growth Rate & Forecast - China



Source: Bloomberg

GLOBAL ECONOMY
BRICS

India

India's real GDP growth came in at 7.4% (y-o-y) in Q3 2015, marking an acceleration from the expansion of 7.0% y-o-y in the previous quarter.

The released GDP report showed that India's industrial sector remained resilient in Q3 2016. Notably, the manufacturing sector accelerated, growing by 9.3% y-o-y in Q3 2016 (versus 7.2% y-o-y in the previous quarter) while the power sector also expanded at a robust rate of 6.7% y-o-y in the same quarter (compared with 3.2% y-o-y previously).

Inflation remained a central focus of monetary policy. The most recent data revealed that Headline CPI accelerated to 5.41% y-o-y in November from 5.0% in October. The Reserve Bank of India (RBI) and the central government have agreed to keep annual consumer price inflation around 4%, with a band of ±2 percentage points. In its December meeting, the RBI decided to hold the repurchase rate at 6.75%. The move followed the previous meeting's 50-basis-point cut.

Recently released data related to India's external sector showed that the trade deficit totalled $9.8 billion in November, which was a smaller shortfall over the $16.9 billion deficit observed in the same month last year. For the 12 months up to November, the trade deficit recorded $123.9 billion, which was a smaller shortfall than the $131.0 billion deficit tallied in the 12 months up to October.

In October, industrial production expanded a notable 9.8% compared to the same month last year. The reading was above September's revised 3.8% increase (previously reported: +3.6% year-on-year) and marked the best result since October 2010.

The manufacturing Purchasing Managers' Index (PMI), elaborated by Nikkei and Markit, fell to 50.3 in November from 50.7 in October, thus hitting the lowest level since October 2013. As a result, the PMI is just above the 50-threshold that separates expansion from contraction in business activity in the manufacturing sector. According to Nikkei, November's moderation was driven by weaker expansions in output and new orders.

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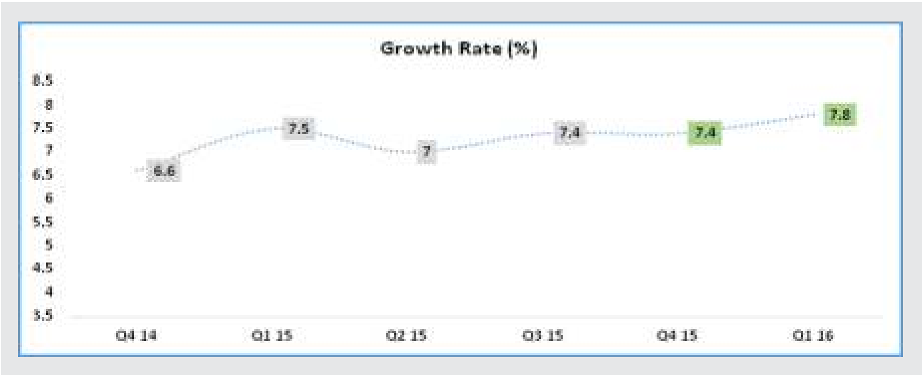
India stands to benefit from the commodities collapse, given that oil represents around one-third of the import bill, and with the associated muted inflation, the central bank has room to cut rates in order to boost activity. However weak agricultural growth, coupled with external headwinds and slowing reform momentum will prevent the Indian economy from expanding at a faster rate.

Growth Rate & Forecast - India



Source: Bloomberg

Russia

A preliminary estimate shows that GDP decreased 4.1% in Q3 over the same quarter last year, which is up from the 4.6% contraction observed in Q2 when the economy experienced the worst contraction in six years. Lower oil prices, a decline in real wages, the weakening of the ruble and the impact from external economic factors continued to weigh on the Russian economy in Q3.

Consumer-price growth slowed to 12.9% from a year earlier in December, compared with 15% in November. While this marked a fourth consecutive decline, inflation still remained well above the Central Bank's 4.5% inflation target for 2015.

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Russian manufacturing activity shrank in December. The Markit purchasing managers' index for the sector fell to 48.7 from 50.1 the previous month, slipping below the 50 mark that separates expansion from contraction for the first time since September.

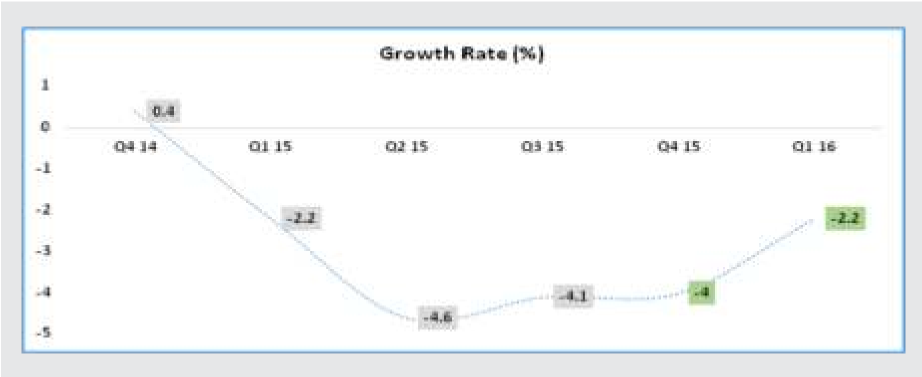
The contraction in services activity deepened in December as the Russian Services Purchasing Managers' Index fell to 47.8 in December from 49.8 in November. The decline in business activity had been driven by a fall in new business, in part reflecting payment problems among services firms' customers.

In October, credit growth to the private sector dropped to 11.4%, y-o-y – less than half the level of end-2014 – from 15.2% in September as banks continued reducing credit stocks to both firms and households for the second consecutive month. At the same time, the share of non-performing loans remained stable around 8.2% for four consecutive months, compared to 6.7% at the start of the year.

In January–October 2015, the federal primary balance deteriorated to a deficit of 0.4% of GDP from a 2.6% of GDP surplus a year ago. Federal budget revenue decreased in the ten months of 2015 on a yearly basis to 18.8% of GDP from 20% of GDP due to a drop in oil revenues (2% of GDP) larger than the increase in non-oil revenue (1.1% of GDP). At the same time, federal primary expenditure increased by 1.8% of GDP (11.7% in nominal terms) compared to the same period a year earlier, on the back of higher defense and social spending.

Persistently low oil prices, weak investment growth and declining real incomes will prevent a swift recovery in the Russian economy in 2016. Investment will remain subdued due to the general contraction in demand, prohibitively high borrowing costs and weak business confidence. Declining fiscal revenues mean the government will struggle to prop up the economy.

Growth Rate & Forecast – Russia



Source: Bloomberg

Brazil

The Brazilian economy remained in an emergency situation in 2015. Real GDP contracted by 4.5% y-o-y in the third quarter of 2015, marking the sixth consecutive quarter of negative growth. The economy's contraction in the third quarter was broad based with private consumption shrinking almost 6% and fixed investment 15%. High frequency data show that Brazil's economy continued to deteriorate in the fourth quarter, with little sign of recovery. The dire state of the economy reflected deeply rooted structural shortcomings, macro policy imbalances and the impact of a major political crisis.

Brazil's inflation index showed a further acceleration in price growth in December. Inflation came in at 10.7% y-o-y, well above the 10.3% y-o-y print for November.

Brazil's unemployment rate unexpectedly declined in November. The jobless rate dropped to 7.5% in November from 7.9% in October. The move is likely seasonal, as the unemployment rate has historically fallen in the second half of the year.

In November, the current account balance registered a deficit of $2.9 billion, which was a notable improvement from the $9.1 billion deficit recorded in the same month of the previous year. The slimmer current account deficit was a bright spot in recent economic data for Brazil as the country grappled with recession and high inflation levels.

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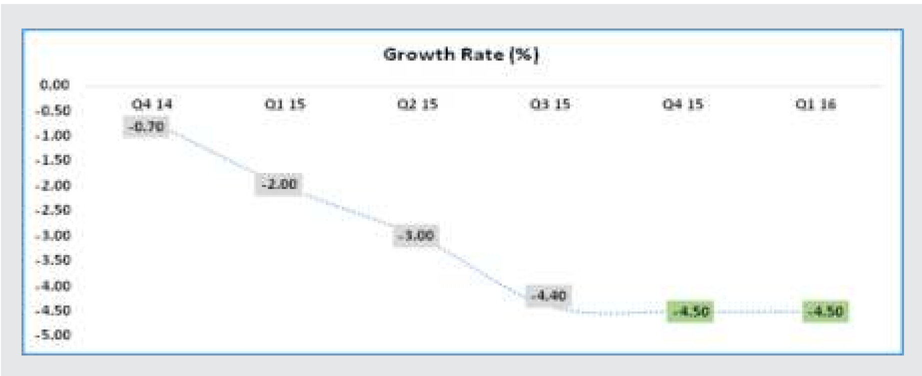
BRICS

Retail sales (excluding cars and construction) improved notably in October, swinging from a revised 0.3% contraction in September (previously reported: -0.5% month-on-month) to a 0.6% expansion over the previous month in seasonally-adjusted terms. The result marked an 11-month high. October's expansion came on the back of expansions recorded in five of the eight components of the index. Specifically, sales of food, beverages and tobacco improved notably from the previous month.

In September, Standard & Poor's Ratings Services downgraded Brazil's sovereign debt by one notch to BB+, placing it in junk territory for the first time since 2008. Citing political challenges to the Brazilian government's efforts to balance its budget, S&P also maintained a negative outlook, indicating at least a 1-in-3 chance of further downgrades.

A high level of political uncertainty, falling commodity prices and a significant erosion of investor and consumer confidence will further prolong the country's economic malaise, tempering companies' access to credit and weighing on fixed investment growth. The country's divisive political environment has limited the scope for fiscal consolidation and structural economic reforms and has already helped lead to Standard & Poor's downgrade of Brazil's long-term currency credit rating to junk status.

GDP Growth Rate & Forecast – Brazil



Source: Bloomberg

South Africa

In the third quarter, the economy expanded 0.7% over the previous quarter at a seasonally adjusted annualized rate (SAAR). The reading contrasted the 1.3% contraction seen in the second quarter. In annual terms, GDP expanded 1.0% in Q3, which came in below the 1.3% expansion recorded in the previous quarter.

The third quarter growth came on the back of an expansion in manufacturing, which increased 6.2% in the third quarter. The figure contrasted the 6.3% contraction observed in the second quarter and marked the best result in three quarters. Moreover, agriculture, forestry and fishing contracted 12.6%, which represented a milder drop compared to the 19.7% decrease tallied in Q2. Conversely, mining and quarrying deteriorated in the third quarter and contracted 9.8% (Q2: -6.4% quarter-on-quarter SAAR).

While South Africa narrowly avoided a technical recession in Q3, the country's economic prospects remained grim. Fitch downgraded its rating of the country to BBB- on Friday, the lowest investment grade rating above junk. Standard & Poor's, which had already rated South Africa as BBB-, switched its outlook to negative. The 4.1% deficit remains one of the largest in the emerging world.

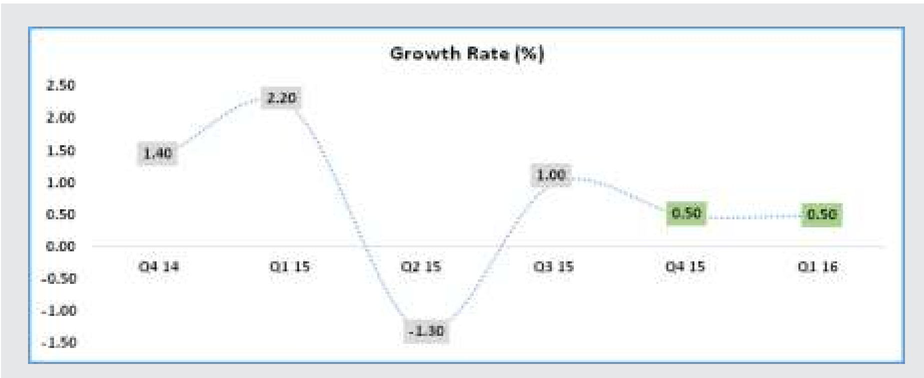
The South African Chamber of Commerce and Industry (SACCI) business confidence index retreated to near its historic low in November. The SACCI index fell to 82.7 in November from 88.4 in October, just a touch above the all-time low of 81.6 recorded in September.

Inflation rose to 4.8% y-o-y in November from 4.7% y-o-y in October. The South African Reserve Bank opted to raise its key interest rate to 6.25% in November in a response to elevated inflation and a wide current account deficit, which hit 4.1% of GDP in Q3.

South Africa's current account deficit widened to 4.1% in Q3 from 3.1% of GDP in Q2. This was the first time in five quarters that the country's current account shortfall has widened. Imports rose by 2.6% between Q2 and Q3, while exports (excluding gold) were up by just 0.7%. The strongest growth was seen in consumer and intermediate goods. The South African Reserve Bank reported that total domestic expenditure rose by 0.8% in Q3, which was a sharp turnaround compared to the 7.2% fall recorded in Q2.

The combination of higher interest rates, elevated inflation, and the weakening rand will all force consumers to tighten their belts in 2016, choking off a key source of demand. The economy also faces other serious challenges. Labour relations are likely to remain fraught, with the potential for further strikes or an upswing in popular protests as mining firms fire staff in response to low commodity prices.

GDP Growth Rate & Forecast – South Africa



Source: Bloomberg

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SPEED SERVICE SECURITY

2.0

THE NIGERIAN ECONOMY

THE NIGERIAN ECONOMY

Below is a snapshot of the domestic economy in 2015.

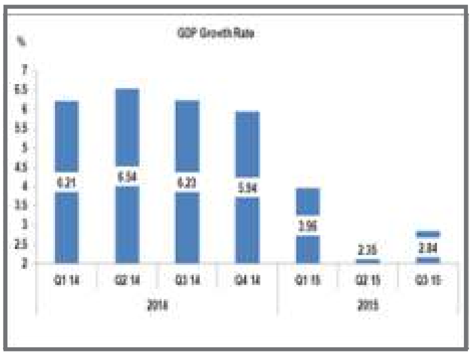
Accommodative Monetary Policy: benchmark reduced to 11%	Credit to Private Sector slightly improved	Naira remained under pressure
Stock market trending southwards	Foreign reserves shrinking	Inflation trending upwards.
Security Concerns: Boko Haram insurgency	Occasional systemic liquidity contraction	Oil Prices remained pressured

2.1 GDP GROWTH

Latest data from the National Bureau of Statistics show that growth accelerated slightly in Q3, rising to 2.84% y-o-y, from 2.35% in Q2. The slight improvement was largely due to faster growth in the oil sector, which managed to eke out growth of 1.06% y-o-y after shrinking in eight of the past ten quarters. Non-oil growth fell to just 3.0% y-o-y from 3.5% y-o-y in Q2, the worst figure since comparable figures became available in 2011.

The manufacturing sector recorded negative growth for the third consecutive quarter. It contracted by 1.75% y-o-y in Q3. The agriculture sector – which made up 24.51% of nominal GDP in Q3 – output grew by 3.46% in Q3 y-o-y, slightly lower than 3.49% posted for Q2.

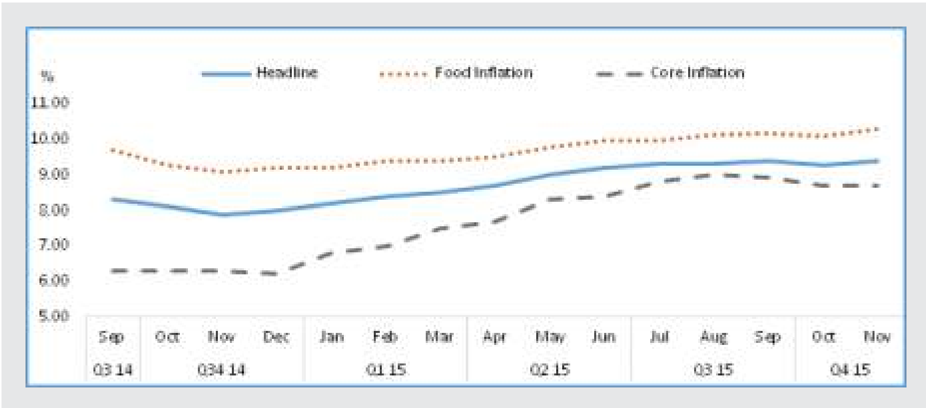
GDP Growth Rate – Nigeria



2.2 INFLATION

Nigeria's CPI inflation remained elevated in 2015. According to the National Bureau of Statistics (NBS), The Consumer Price Index (CPI) printed at 9.4% y-o-y in November, same as in September but a notch higher than October's 9.3%. The reading on the food sub-index ticked higher to 10.3% y-o-y, up from 10.1% y-o-y in September. This was ascribed to the “shortages in Premium Motor Sprit (PMS) coupled with the knock-on effect impacting transportation of people and goods across the country.” Meanwhile, the core (all items less farm produce) sub-index recorded inflation at 8.7% y-o-y in November, the same rate as October, “weighted upon by slower increases in multiple divisions such as Clothing and Footwear; Housing Water, Electricity, Gas and Other Fuels; and Furnishings & Household Equipment Maintenance amongst others.” The inflation figure for November reflected the highest reading since February 2013, suggesting that inflationary pressures have intensified further.

Inflation Year-on-Year



Source: NBS

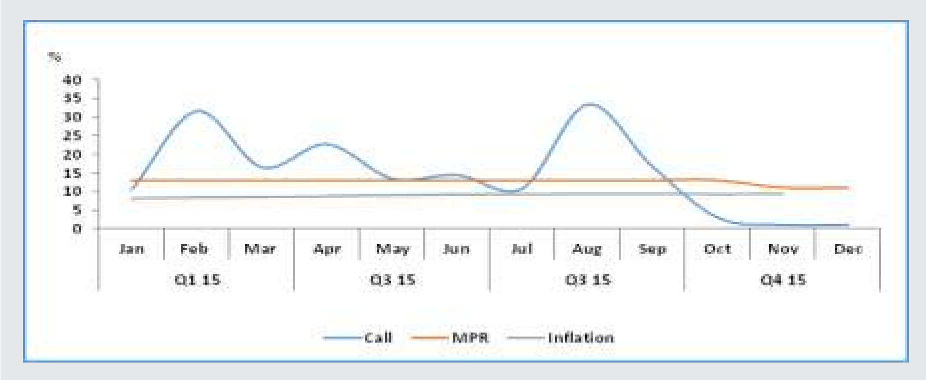
2.3 MONETARY POLICY

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) at its final meeting of 2015 announced its decision to cut the Monetary Policy Rate (MPR) by 200 basis points to 11%. The committee also decided to establish an asymmetric corridor of +200/-700 basis points around the key rate. Meanwhile, the Cash Reserve Requirement (CRR) was also cut, to 20% from 25%.

The MPC had earlier, in its meeting on May 18, harmonized the CRR at 31%. Previously, CRR for private sector was 20% while it was 75% for public sector deposit. It subsequently lowered the CRR to 25% at its September meeting.

The Central Bank justified its decision to ease its monetary policy stance on weakening fundamentals of Nigeria's economy, particularly subdued GDP growth and high unemployment. The Bank also cited rising uncertainty of the global economic environment as one of the main factors behind its decision. Regarding price developments, the Bank acknowledged that inflationary pressures are partially abating, but stressed the need of complementary supply-side policies as part of an overall strategy to anchor inflation expectations.

Trends in MPR, Call and Inflation Rate



Source: NBS & CBN

2.4 EXTERNAL RESERVES

Nigeria's external reserves dropped to $29.06 billion as at December 31st 2015 according to data available on the website of the CBN. This represents a decline of 15.81% from $34.52 billion a year prior. Falling oil prices, nearly 40% lower from a year earlier to USD37.94/pb as at 31st December, disrupted FX inflows, which along with high levels of USD supplied to the interbank market, depleted FX reserves. In a bid to preserve reserves, the monetary regulator, introduced several measures last year. Among others, the central bank harmonised the foreign exchange market by closing the official window of the foreign exchange market in order to create transparency and minimise arbitrage opportunities in the foreign exchange market.

Furthermore, to deepen the market and enhance the efficacy of the demand management measures, the central bank gave specific directives on the effective monitoring and repatriation of both oil and non-oil export proceeds. In addition, the utilisation of export proceeds was restricted to eligible transactions only to minimise leakages. Also in 2015, the CBN officially stopped the sale of dollars for a list of 41 items as it also sought to reduce pressure on the naira as well as preserve the external reserves. However, it stressed that importers desirous of importing them could do so using their own funds without any recourse to the Nigerian forex market.

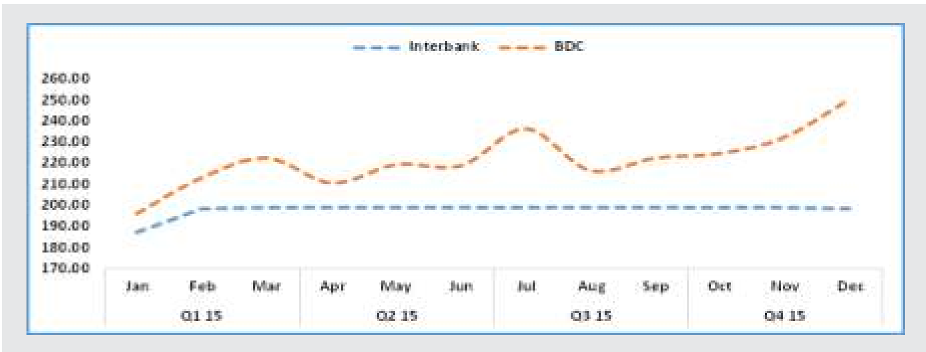
External Reserves and Crude Oil Price (Bonny Light)

Source: CBN

2.5 EXCHANGE RATE

The CBN continued tightening its forex policies as pressure persisted on the naira in the face of low oil prices. The various restrictions coupled with dwindling foreign currency inflow due to continued decline in crude oil prices, as well as continued expectation of further devaluation of the naira, led to depreciation of the naira in the parallel market. At the parallel market, the local unit mirrored the BDC market, touching a historic low of N280/USD in December before retreating slightly. However, the legal tender remained stable around N199.10/USD at the interbank foreign exchange market segment close to a rate at which it has been pegged since February.

Foreign Exchange Rate: Interbank and BDC



Source: CBN & FMDA

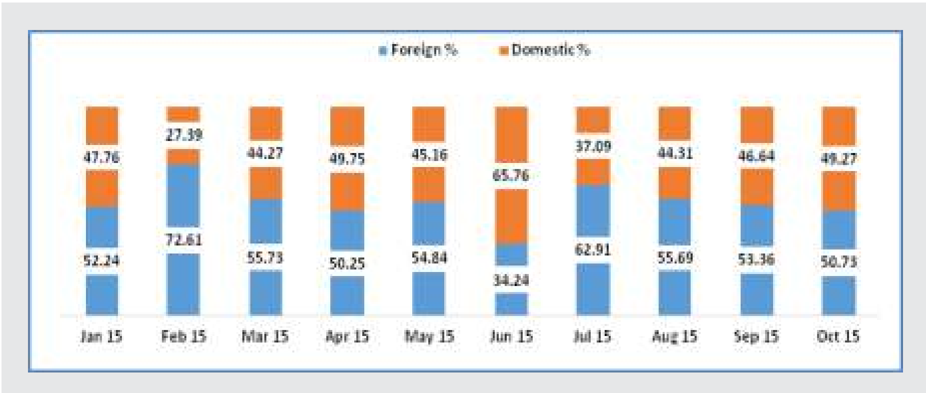
2.6 STOCK MARKET

The Nigerian stock market ended 2015 with its second consecutive decline as the Nigerian Stock Exchange (NSE) All-Share Index fell by 17.36% to close at 28,642.25. This was higher than the 16.14% decline recorded in 2014. Similarly, the market capitalisation shed N1.6 trillion to close the year at N9.9 trillion, down from N11.5 trillion at the end of 2014. In part, the decline in equities reflected persistently low oil prices. But growing concerns about the direction of policymaking undoubtedly weighed on investor sentiment. These concerns largely reflected in the exit of portfolio investors from the local bourse. The share of foreign portfolio participation trended downwards progressively in the second-half of 2015 to 50.73% as at October compared to 62.91% in July.

Nigerian Stock Exchange and Market Capitalization

Source: NSE

Domestic & Foreign Portfolio Participation in Equity Trading

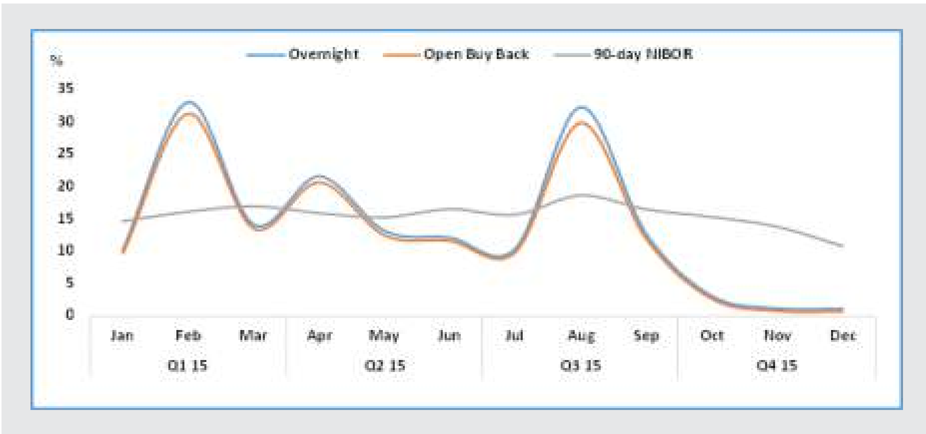


Source: CBN

2.7 NIBOR

Nigeria's lending rates closed at record lows in December 2015. Specifically, the overnight and open buy back rates settled at 1% and 0.5% respectively on the 31st of December, from a peak of 105.33% and 100.83% respectively on August 26th. The decline in rates was largely due to the financial regulator's decision to cut the CRR for Banks to 20% in November, thereby injecting liquidity into the system. Longer-dated money market instruments like the 30- and 90-day NIBOR also saw a marked decline, closing at 8.9% and 10.67% respectively, from their highest levels of 18.86% and 20.32% in that order recorded on the 26th of August.

Interbank Lending Rates



Source: Budget Office & FMDA

2.8 FINANCIAL SECTOR DEVELOPMENTS.

The financial sector in 2015 was dominated by foreign exchange restrictions rolled out by the Central Bank of Nigeria (CBN) in its bid to defend the naira as well as challenges that bedeviled the implementation of the Biometric Verification Number (BVN).

The foreign exchange market witnessed introduction of several foreign exchange restrictions in 2015. The first notable restriction was the closure of official foreign exchange market (Retail Dutch Auction) on February 18, 2015 which translated to further devaluation of the naira to N197 per dollar from N165 per dollar.

The second notable restriction was the Exclusion of 41 items from the official foreign exchange market. Then in August the CBN banned acceptance of foreign currency deposit into domiciliary accounts. In addition to the above was the reduction in the limit on usage of naira debit cards abroad. The limit was reduced to $50,000 per annum from $150,000 per annum per naira debit card. The daily cash withdrawal limit was pegged at $300.

During the year, the CBN banned banks from selling foreign exchange to the Bureau De Change (BDCs) while it revised the operating guidelines of BDCs, banning any form of relationship of street hawkers of foreign currency (black market), and branch operations.

The implementation of the Biometric Verification Number (BVN) as a unique identity number for bank customers impacted banking activities and bank customers significantly in the second half of the year. The exercise was meant to create a stronger Know Your Customer, KYC, for banks and strengthen the various security platforms. It also intended to address cases of security issues arising from passwords and Personal Identification Number (PIN) of customers. Initially scheduled to end in June, the exercise was later extended to the end of October.

The CBN made the BVN one of the criteria for foreign exchange transactions in the country. Thus effective November 1st, banks and BDCs were required to verify the BVN of anybody buying foreign exchange.

On July 1st, the cashless policy was extended to the remaining 30 states. The policy, which commenced in Lagos state in 2012, was in 2014 extended to Abia, Anambra, Ogun, Kano, Rivers States and the FCT. The CBN however suspended the application of cashless charges in the remaining 30 states, as well as directed banks that had imposed such charges to return them to the customers. In addition to the national roll-out of the cashless policy, there were policy initiatives aimed at curbing the rising trend of electronic payment fraud in the country.

To curb incidence of card frauds abroad, the CBN directed that banks should limit use of cards in countries where the card system is not based on chip and PIN (non-EMV), to the duration of the customers travelling. Thus customers travelling to such countries were to inform their banks whenever they are travelling to such countries.

Secondly, to curb insider related epayment fraud, the CBN directed banks to introduce Two Factor Authentication, which requires the use of PIN and Tokens for consummation of epayment transaction. Finally, the CBN directed banks to establish dedicated e-fraud desks to address complaints from customers.

Another development in 2015 was the implementation of the Treasury Single Account (TSA) which led to the transfer of all federal government funds from the banking sector. In August, the President directed Federal Government Ministries, Departments and Agencies (MDAs) to open and start paying into a Treasury Single Account (TSA) for all government revenues, incomes and other receipts. A TSA is a unified structure of government bank accounts enabling consolidation and optimal utilisation of government cash resources.

Other notable development in the financial sector include: Publication of Bad debtors list by banks; Introduction of Guidelines on management of dormant accounts; creation of a N300 billion Real Sector Support Fund; and the review of the MSME guidelines to allow news businesses borrow from the fund.

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OUTLOOK FOR Q1 2016

OUTLOOK FOR Q1 2016

Outlook for Q1 2016 and Beyond

- Monetary Policy Rate (MPR) is likely to remain at 11%. The scope of further cuts is low due to concerns over the exchange rate in a low oil price environment.
- Inflation to remain in the single digit region on prudent monetary policy management. Inflation remains biased to the upside due to ongoing pressures on the naira and higher energy costs.
- Exchange rate pressures will persist due to expectation of continued low oil prices, FX reserves depletion, and robust import demand, as well as recent policy easing, which will increase liquidity levels.
- More initiatives at reducing poverty and creating jobs.

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- Visit any Access Bank Branch to submit your BVN
- Visit our Website (www.accessbankplc.com) to submit your **BVN.** Please click on the link: **BVN Registration** under **Quick access**

Customers resident outside the country should please take advantage of the BVN enrolment exercise extension and update their accounts before **January 31, 2016** to avoid restrictions on the accounts.

Visit our website for BVN enrolment locations for customers in diaspora.

*Please note that the placement of restrictions on accounts without BVN registration is solely for the safety of our customer's funds.

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