ACCESS ECONOMIC QUARTERLY
Q3 2017

SPEED | SERVICE | SECURITY

IN THIS EDITION

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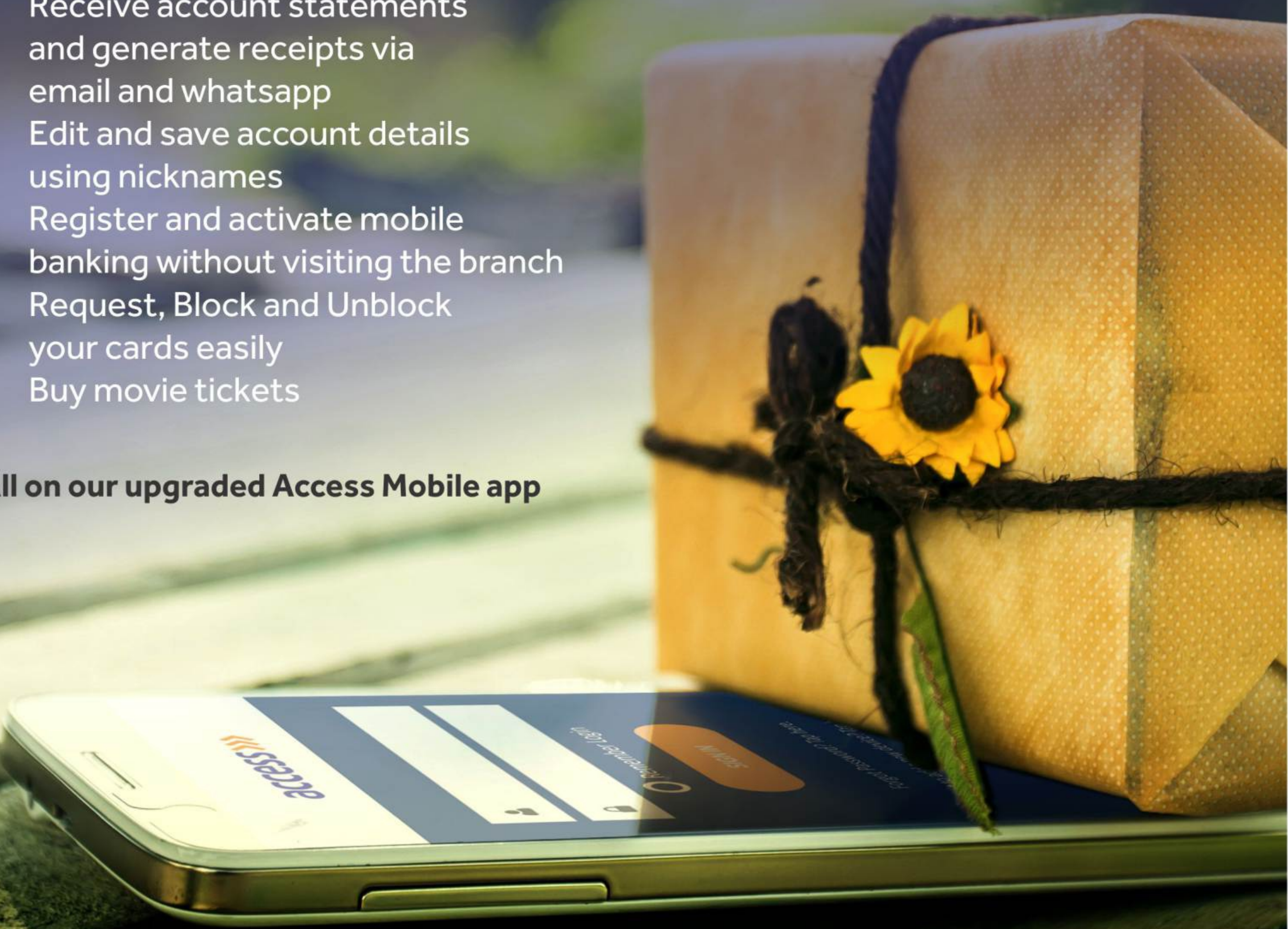


1.0

GLOBAL ECONOMY

GLOBAL ECONOMY

Based on official monthly data and business surveys, the strength in the global recovery extended into Q3. The improvement has been geographically broad-based, supported by a rebound in international trade, business confidence and investment.

The global manufacturing sector continued to expand at a steady pace in September. The JP Morgan-IHS Markit Global Manufacturing Purchasing Managers Index (PMI) - a measure of activity levels across the sector posted 53.2 in September, unchanged from August's 75-month high. Solid increases were registered for both the developed economies and the emerging ones.

The World Trade Organisation's (WTO) latest World Trade Outlook Indicator (WTOI) released in August suggests that global merchandise trade growth continued to strengthen in Q3 2017. The latest reading of 102.6 is higher than the previous reading of 102.2 issued in May this year, suggesting sustained momentum for trade growth.

Global inflationary pressures have remained muted, as recently released data on inflation suggests that core inflation barely changed in September in the major economies. In light of the relatively low rate of inflation, global monetary policies among the major central banks remain biased towards easing. Despite past US Fed hikes, US financial conditions remain relatively loose.

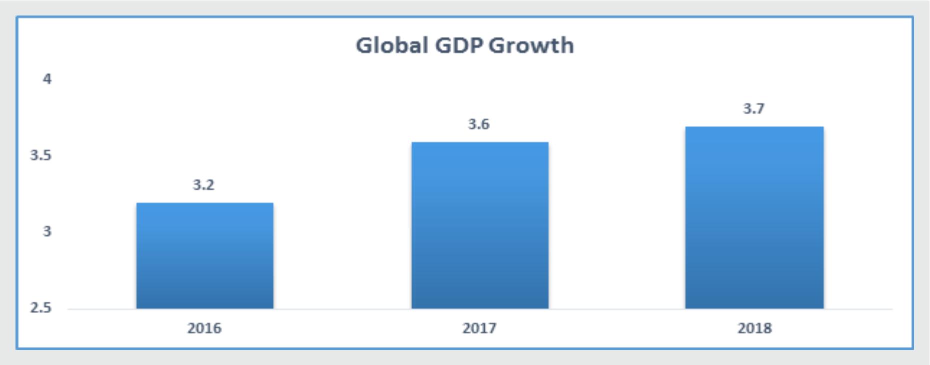
After months of subdued performance, oil prices have rallied. A number of positive developments supported oil prices during the last few weeks, including a pledge by OPEC to curb its oil exports as well as improving fundamentals in the US that support higher oil demand. Brent Crude prices, the global oil benchmark, closed at $57.54 per barrel on September 29th.

The IMF in its World Economic Outlook report, released in early October, raised its forecast for growth to 3.6% this year and 3.7% next year, an acceleration from the 3.2% growth recorded in 2016.

GLOBAL ECONOMY

Most of the upgrade for 2017 is related to brighter prospects for advanced economies, whereas 2018's upward revision is largely attributable to developing economies playing a bigger role in global growth.

GLOBAL GDP GROWTH



Source: World Bank

GLOBAL ECONOMY
UNITED STATES/EURO AREA

1.1 UNITED STATES

The US economy grew a bit faster than previously estimated in the second quarter, recording its quickest pace in more than two years. Gross domestic product (GDP) increased at a 3.1% annual rate in the April-June period, the Commerce Department said in its third estimate. The upward revision from the 3% rate of growth reported earlier reflected a slightly faster pace of inventory investment.

September survey data signaled a further improvement in operating conditions across the US manufacturing sector. The IHS Markit final US Manufacturing Purchasing Managers' Index (PMI) registered 53.1 in September, up slightly on the flash reading of 53.0 and rising from 52.8 in August.

Employment growth in the US recorded its first contraction since June 2010 in September on the back of disruptions caused by Hurricanes Harvey and Irma in Texas and Florida. Non-farm payrolls lost 33,000 jobs in September, down from an upwardly revised increase of 169,000 in August.

Americans increased their spending at retailers in September by the most in two and a half years, driven by strong auto sales as residents of hurricane-ravaged areas replaced destroyed cars. Retail sales were also buoyed by a surge in receipts at service stations, which reflected higher gasoline prices after Harvey disrupted production at oil refineries in the Gulf Coast. Overall sales surged 1.6%, the most since March 2015, after a revised 0.1% decline in prior month.

The Federal Open Market Committee (FOMC) of the Federal Reserve (Fed) unanimously decided to leave the federal funds rate unchanged at 1-1.25% and announced that it will begin shrinking its massive bond and security holdings in October in an effort to normalize its balance sheet.

U.S. consumer confidence dwindled in September, largely due to the negative effects from the hurricane-affected states Texas and Florida. The level of confidence dropped to 119.8 from a downwardly revised 120.4 last month.

The US trade gap declined 2.7% to $42.4-billion in August, the smallest since September 2016 according to the Commerce Department's estimates. Imports slipped 0.1% to $237.7 billion, while exports rose 0.4% to $195.3 billion. July's trade deficit was revised slightly down to $43.6 billion from the previously reported $43.7 billion.

GLOBAL ECONOMY
UNITED STATES/EURO AREA

Harvey and Irma are likely to restrain early Q4 growth but, as the rebuilding process quickens, growth is likely to increase as Q4 ends. The possibility of a fiscal stimulus plan coming to fruition later this year also offers a potential upside risk to growth. The economy's trajectory of growth is forecast at 2.4% and 2.6% in Q3 and Q4 respectively.

1.2 EURO AREA

The Eurozone's gross domestic product expanded by 2.3% in the second quarter and by 2% in the first three months of the year, higher than previous estimates of 2.2% and 1.9% respectively.

Recently released economic data and surveys suggest that economic activity continued to grow at a healthy pace in the third quarter.

The economic sentiment index rose to 113.0 in September from 111.9 in August. The indicator firmed on the back of higher industry, retail trade and construction confidence.

Growth in corporate lending picked up to 2.5% in August from 2.4% a month ago, while household lending held steady at 2.7%.

Eurozone inflation was stable at 1.5% in September, still well below the European Central Bank's 2% target. Core inflation in the Eurozone - not counting energy, food, alcohol and tobacco - slowed to a three-month low of 1.1%, from 1.2%.

IHS Markit's manufacturing PMI for the Eurozone rose to a record high for September, as conditions strengthened to the greatest extent in over six and a half years. The survey came in at 58.1 from August's 57.4. According to IHS Markit, the upturn was broad-based, with all of the surveys that make up the Euro area average reporting growth.

The unemployment rate in the Eurozone stuck at 9.1% for August, stabilizing for a third straight month and unchanged at its lowest level since early 2009.

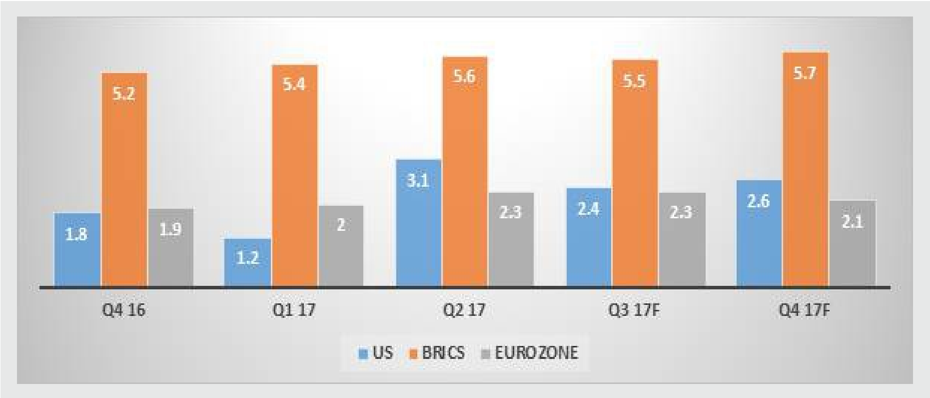
GLOBAL ECONOMY

UNITED STATES/EURO AREA (Euro Area)

The European Central Bank (ECB), at its September monetary policy meeting, opted to leave the key interest rate unchanged at a record low level of 0.00% and pledged to continue its bond-buying programme through December 2017 and possibly beyond if needed. In a post-meeting statement, the ECB President stated that the governing council had held early talks on how long to maintain its extraordinary stimulus efforts and added that the central bank will make the "bulk" of its decisions in October.

The strengthening of confidence suggests the Eurozone economy will continue to enjoy a more robust pace of growth in the final months of what has already been a surprisingly strong year. Growth in Q3 and Q4 is projected at 2.3% and 2.1% respectively

GDP Growth Rate & Forecasts – Regional Comparison



Source: Bloomberg
e*: Estimate
f*: Forecast

1.3 BRICS

While China and India's growth remain very robust driven increasingly by consumer spending, services and innovation, the economies of Brazil, Russia and South Africa are less-inspiring. Their economic headwinds are largely self-caused and compounded by poor politics and governments that are unwilling to carry out long overdue structural reforms.

Brazil

The Brazilian economy continued to grow in the second quarter of the year, confirming the end of the largest recession in the country's history. GDP for Q2 expanded by 0.3% compared to the same period last year. The Q2 results for GDP were driven mainly by the resumption of household consumption and also by the recovery of the services sector.

In another sign of an economic rebound from recession, Brazil's unemployment rate fell to 12.6% in the three-month period through August from 12.8% in the prior three-month period. The slight decrease was attributed to more people working in the informal market without a formal job contract.

On a year-on-year basis, retail sales grew 3.6% in August following a 3.1% gain in July.

The 12-month inflation rate in Brazil came in at 2.54% in September, accelerating when compared to the 2.46% annual rate recorded in August. Higher fuel prices accounted for most of the increase, with gasoline rates rising an average 2.22% from August. Nevertheless, the annual rate remained far below the bottom-end of the central bank's target range, of 4.5% plus or minus 1.5 percentage point.

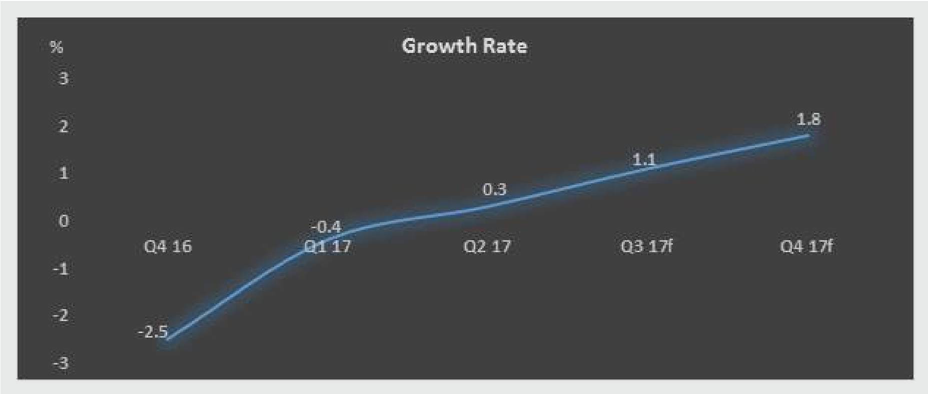
Mild inflation has allowed the central bank to cut interest rates to their lowest since 2013 as it tries to bolster a fragile recovery. In September, the central bank cut interest rates by 1 percentage point to 8.25%.

Brazilian manufacturing activity expanded for a sixth straight month in September as strong demand at home and abroad drove firms to ramp up output at the fastest pace since May. The Purchasing Managers' Index compiled by research firm Markit held at a seasonally adjusted 50.9, the same as August's level.

Global ratings agency, Standard & Poor's, in August announced that it had removed Brazil's credit ratings from CreditWatch because "the economy appears to have stabilized despite fluid politics." The ratings were affirmed at 'BB' but with 'negative' outlook.

The government has recently intensified the implementation of measures to boost productivity, showing the ability to win congressional support to pass reforms despite its feeble political support. Politicians are under pressure to deliver on the macro front amid the still unfolding corruption probe, which is helping move the policy agenda forward. As a result, growth is forecast to reach 1.1% and 1.8% for Q3 and Q4 respectively.

GDP Growth Rate & Forecast – Brazil



Source: Bloomberg

Russia

Russia's economic growth quickened in the second quarter with GDP increasing by 2.5% year-on-year (y-o-y), from the 0.5% pace registered in Q1. The oil-dependent economy has now expanded for the third consecutive quarter as crude prices stabilized.

Russia's consumer price index (CPI) slipped to 3% in September in y-o-y terms after rising 3.3% in the previous month. The print is the lowest in the country's modern history and inflation is now further below the Central Bank of Russia's target rate of 4.0%.

Russia's central bank, in September, cut its key interest rate by 50 basis points to 8.5%, marking the fourth reduction this year amid low inflation. In a statement, the bank noted it would continue to conduct a moderately tight monetary policy in order to maintain inflation close to 4%.

GLOBAL ECONOMY
BRICS

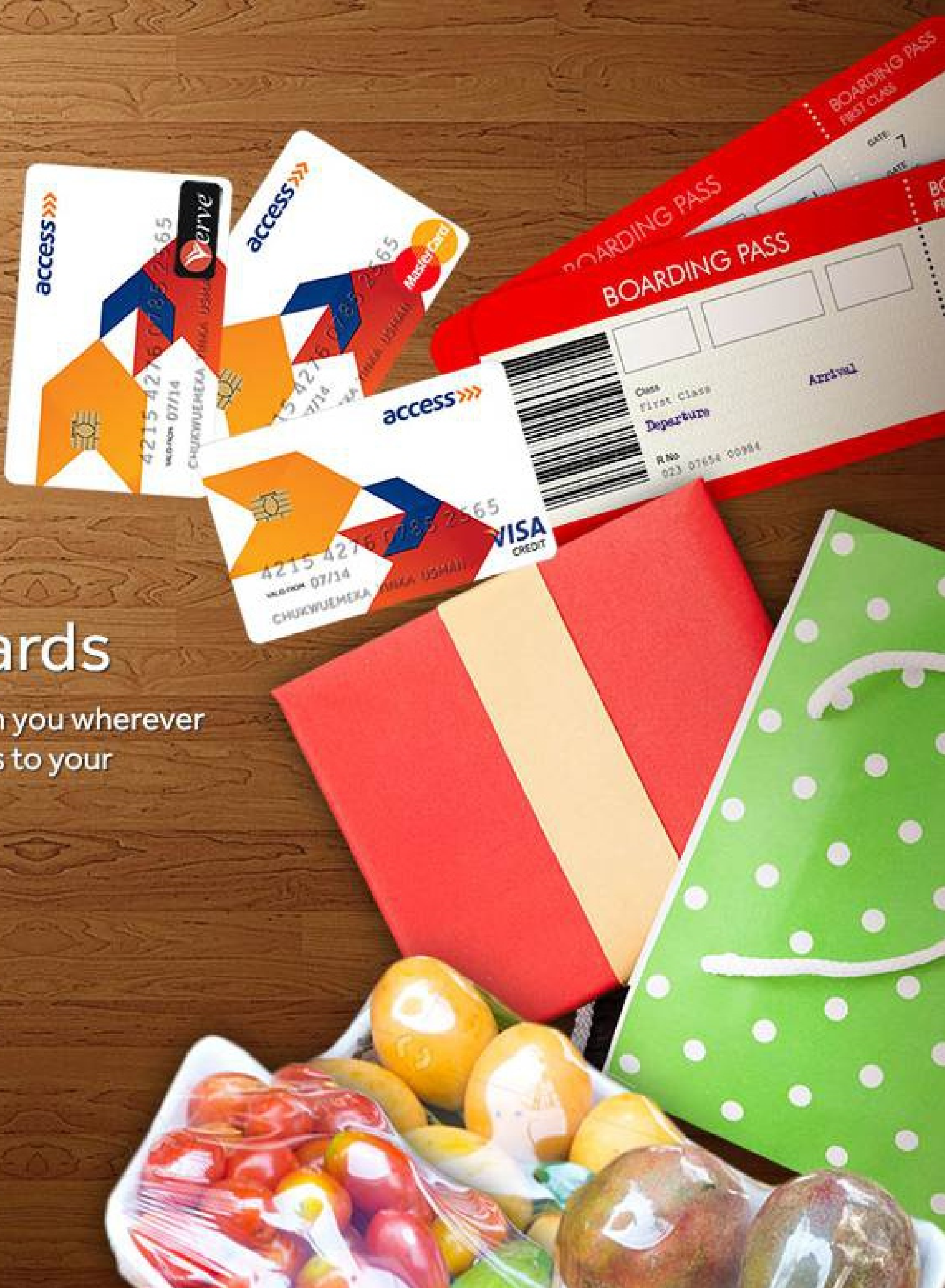
The consumer confidence indicator published by the Federal Statistics Service (Rosstat) registered a sixth consecutive period of improvement in Q3 2017, rising to minus 11 points from minus 14 points in Q2 2017. Despite the advance, the index remains firmly entrenched below the 0-threshold, which indicates that pessimists outnumber optimists.

The data from the Federal Statistics Service showed retail sales - a gauge of consumer demand, which is Russia's key economic driver - grew 1.9% in August, compared with a year ago. The pick-up has been supported by falling inflation, which has reduced the squeeze on households' purchasing power.

September survey data indicated a further improvement in business conditions in the manufacturing sector. Russian Manufacturing PMI rose to 52.1 in Q3 2017 from 51.2 in Q2 2017, marking the fifth consecutive quarter of expansion in the sector.

Standard & Poor's Global Ratings in September retained Russia's long- and short-term foreign currency rating at 'BB+/B' with a positive outlook. However, S&P warned it could revise its outlook or take a negative rating action if foreign governments introduce "significantly tighter" sanctions on Russia.

Relatively higher oil prices should support economic activity in the coming quarters, although renewed foreign sanctions are a risk to the outlook. GDP is seen expanding 1.8% in Q3. In Q4, the economy is projected to grow 2%.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BOARDING PASS
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VISA
CREDIT

Growth Rate & Forecast – Russia

Source: Bloomber g.

India

India's real GDP growth decelerated to 5.7% y-o-y in Q2 from 6.1% y-o-y in the previous quarter - the slowest pace since 2014, mainly on the back of sluggish manufacturing activity during the lead-up to the implementation of the goods and services tax (GST) system in July.

September saw a sustained expansion in the Indian manufacturing sector, supported by increases in both output and new orders. At 51.2 in September, the Nikkei India Manufacturing Purchasing Managers Index (PMI) was unchanged from August. The PMI has now registered figures above 50.0 for two successive months.

The Reserve Bank of India in its bi-monthly monetary policy review held on 4th October left interest rates unchanged, citing upside risks to inflation. RBI's six-member monetary policy committee (MPC) kept the repurchase or repo rate—the rate at which the central bank infuses liquidity in the banking system by lending to banks—unchanged at 6%.

India's annual consumer inflation in September marginally eased to 3.28% from 3.36% in August. The food inflation rate declined to 1.25% in September from 1.52% in August, while core inflation rate increased to 4.6% from 4.5%.

The trade deficit widened 51% to $11.64 billion in August as imports rose 21% to $35.46 billion. Exports, too, grew the highest in the last four months by 10.3% to 23.82 billion, driven by petroleum, engineering and chemical products.

GLOBAL ECONOMY
BRICS

India's foreign exchange reserves crossed the $400 billion mark for the first time ever in September. The country's forex reserves surged by $2.604 billion to reach an all-time high of $400.726 billion in the week ended September 8, 2017. India now ranks eighth in foreign exchange reserves in a list that's headed by China ($3.09 trillion) and Japan ($1.2 trillion).

Economic activity is likely to remain relatively subdued over the next quarter as the economy suffers from the disruption of the rollout of the GST system in July as certain tax policy issues remain unaddressed. That said, India's economy is likely to rebound over the course of the next six months, as the negative impact from the implementation of GST is transitory and will likely wear off. As a result, India's GDP growth is expected to hit 6.6% and 7.2% in Q3 and Q4 respectively.

Growth Rate & Forecast - India

Source: Bloomberg

China

China recorded robust growth for the third quarter buoyed by strong retail spending and exports. The world's second largest economy expanded by 6.8% compared to the same period last year - down slightly on the previous quarter's 6.9%.

The country's manufacturing purchasing managers' index (PMI) for September came in at 52.4, up from 51.7 in August and hitting the highest level since May 2012. The quickened expansion mainly reflected improving demand at both home and abroad, and booming high-tech industries. Robust consumption in food, beverage and clothing ahead of an eight-day National Day and Mid-Autumn Festival holiday period also contributed to the performance.

GLOBAL ECONOMY
BRICS

China's trade surplus narrowed to a 6-month low of $28.5 billion in September, from $42 billion a month earlier. Growth in exports improved to 8.1% y-o-y from 5.5% in August, while imports accelerated significantly to 18.7% from July's 13.3%.

In a bid to improve credit support for small and micro-sized enterprises, startups and agricultural production, the People's Bank of China (PBOC) in September announced a targeted reserve requirement ratio (RRR) cut. The new policy, which goes into effect in 2018, offers commercial banks an RRR cut of 0.5 to 1.5 percentage points from next year if their annual outstanding or new loans in inclusive financing reach certain requirements.

The M2, a broad measure of money supply that covers cash in circulation and all deposits, at the end of September rose 9.2% from a year earlier, accelerating from 8.9% recorded a month ago. This marked the first time M2 growth has picked up in eight months, but the rate was still 2.3 percentage points lower from a year earlier.

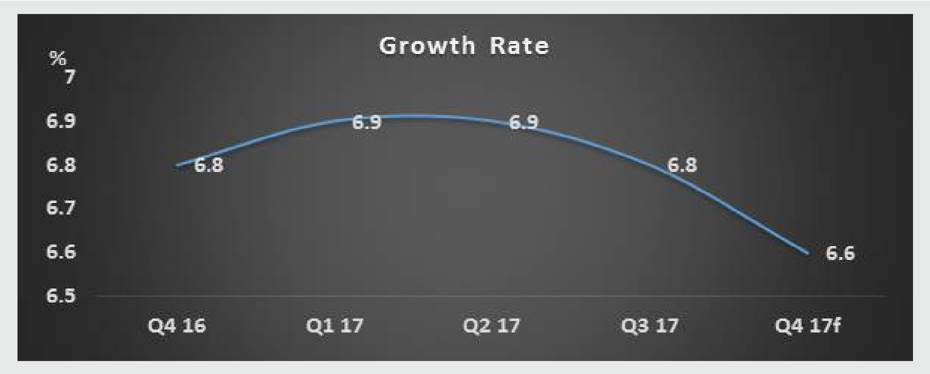
China's consumer inflation retreated mildly in September, weighed down by dropping food prices. The consumer price index (CPI) grew 1.6% y-o-y in September, slowing from August's 1.8%, but still faster than July's 1.4%.

China's foreign exchange reserves hit an 11-month high at the end of September – rising for an eighth straight month. Forex reserves rose to US$3.1 trillion by the end of September, up $17 billion from August.

S&P Global Ratings in September downgraded China's long-term sovereign credit rating by one notch to A+ from AA-, citing increasing risks from the country's rapid build-up of credit. S&P's downgrade follows a similar demotion by Moody's Investors Service in May and comes as the government grapples with the challenges of containing financial risks

Growth in China has been resilient despite earlier concerns of slower growth. China's economy is predicted to expand 6.6% in Q4, drawing strength from the country's supply-side structural reforms, property market recovery and global economic improvements.

Growth Rate & Forecast - China



Source: Bloomber g.

South Africa

The South African economy accelerated in Q2, with headline GDP of 1.1% y-o-y after growth of 1.0% in Q1. The uptick in growth has been largely driven by the extremely strong performance of South Africa's agricultural sector. Following several years of severe dry weather, the agricultural sector has seen booming production this year, with a record maize harvest of 16.4 million tonnes. This fed through to 28.9% y-o-y growth in Q2 for the sector. In contrast, most other sectors of the economy recorded fairly tepid gains. The mining sector, which had been a notable bright spot in Q1 saw growth slow to just 2.1% y-o-y, even as global metals prices have pushed higher on the back of continued Chinese fiscal stimulus. Meanwhile, the manufacturing and trade sectors both reported negative growth in Q217.

After bouncing back in Q2, the latest activity data suggest that South Africa's economy remained strong in mid-Q3.

August mining production figures suggest that the sector remained strong in the middle of Q3. Output rose by 6.9% y-o-y. This marked the sector's strongest growth since March. The gold, iron, and diamond sectors made the largest contributions to growth. But output rose across almost the entire mining industry, with copper the only sub-sector in which output fell y-o-y.

The manufacturing sector also exceeded expectations in August. Data released by Stats SA showed that output in the sector rose by 1.5% y-o-y, the first year-on-year increase in output since March. The rebound was pretty broad-based, with seven of the 10 sub-sectors performing better in August than they did in July.

GLOBAL ECONOMY
BRICS

The Absa PMI edged up by 0.9 index points to 44.9 in September, remaining below the key 50-point mark for the fourth straight month. The headline index averaged 43.9 points in Q3 2017 compared to the 47.6 recorded in Q2, suggesting that manufacturing production came under renewed pressure during the third quarter.

The South African Chamber of Commerce and Industry (SACCI) Business Confidence Index (BCI) increased sharply to 93.0 in September from 89.6 in August, its largest month-on-month recovery since January, albeit from its lowest level of the year. Seven of the thirteen sub-indices making up the BCI showed month-on-month improvement led by higher merchandise import and export volumes.

Compared to July 2017, August nominal retail sales grew 2%. The continued growth in retail sales in August show an improvement in consumer spending, with South Africans benefiting from a moderation in inflation, and some recovery in industries such as agriculture and mining.

The Quarterly Labour Force Survey in August showed the unemployment rate increased to 27.7% – the highest figure since September 2003. The survey showed that the country lost 34,000 jobs between March and June. This followed the loss of 41,000 jobs in the first quarter. The highest job losses were recorded in the manufacturing industry, construction, agriculture and mining sectors.

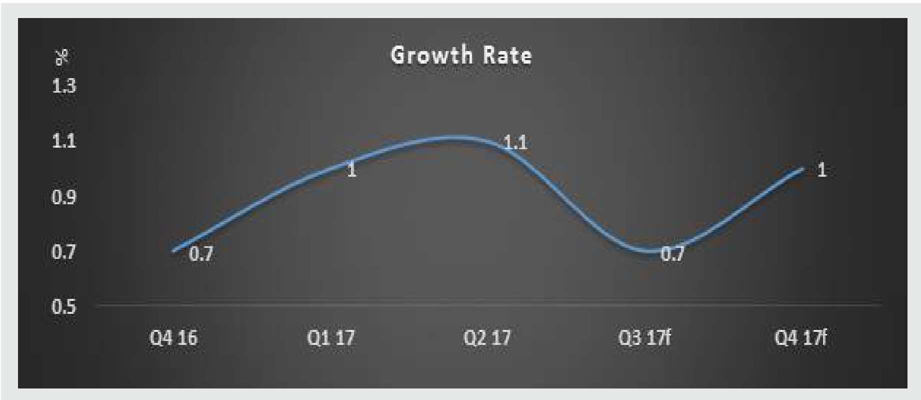
The South African Reserve Bank cut interest rates for the first time in five years in August by 25 basis points to 6.75% in a bid to boost growth. However, it opted to retain rates in September citing concerns about heightened economic uncertainty, an upside risk to its inflation forecast and looming US interest rate hikes (and its impact on the rand exchange rate) as reasons for the decision.

According to Stats SA, consumer price inflation ticked up to 5.1% y-o-y in September from 4.8% in August. Prices of food and non-alcoholic beverages grew 5.5% annually in September. Core inflation, which excludes the prices of food, non-alcoholic beverages, petrol and energy was unchanged at 4.6% y-o-y in September.

South Africa's current account deficit was wider than expected in Q2, at 2.4% of GDP. The wider deficit was largely due to a higher shortfall in the services, income and current transfer account. The largest contributor to the shortfall was net current transfer payments, which rose because of an increase in the amount SA paid to Southern African Customs Union (SACU) trading partners at the start of the 2017/18 fiscal year.

Both consumer and business confidence remain fragile, largely reflecting continued political uncertainty, a situation that is likely to persist through at least the ANC leadership conference in December. Against this background, economic activity is likely to remain anemic and growth for Q3 and Q4 is projected to come in at 0.7% and 1% respectively.

GDP Growth Rate & Forecast – South Africa



Source: Bloomberg

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2.0

THE NIGERIAN ECONOMY

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

Higher cost of borrowing due to rising yields in the fixed income market	Credit to Private Sector rose slightly	The parallel market exchange rate continued to appreciate, and converged closely with the NAFEX rate
Stock market rally continued	Foreign reserves continued to hover above $30 billion.	Inflation continued to decelerate
Improving security situation in the North-East region	Benchmark interest rate retained at 14%	Oil prices closed higher

Major indices pointed ongoing improvement in the country's economic and socio-political landscape in Q3.

2.1 GDP GROWTH

GDP

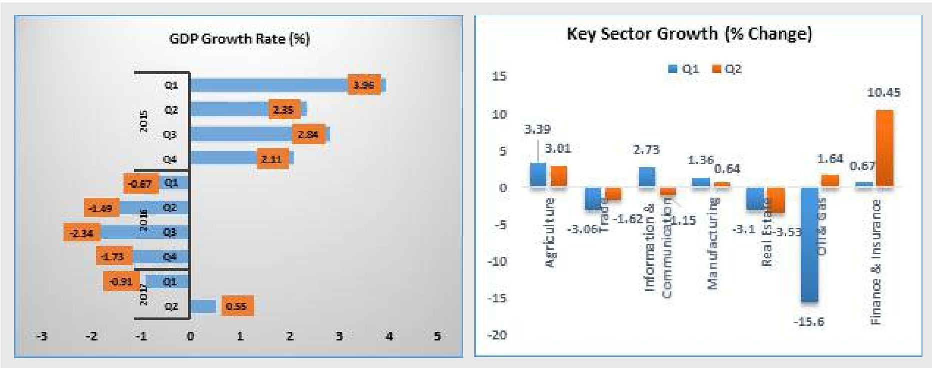
Figures released by the National Bureau of Statistics (NBS) in September showed that Nigeria exited recession in Q2 2017. After being in a recession since end-2015, growth improved to 0.55% y-o-y in Q2 17 from a revised -0.91% in the prior quarter. The improved performance came on the back of a minor recovery in oil production, as well as sustained growth in agricultural and industrial output over the period. In the second quarter, oil production averaged 1.84 million barrels per day (bpd) — 0.15 million bpd higher than the daily average production in Q1 17. Growth in the oil sector recovered markedly to 1.6%, from -15.6% in Q1 17 and -11.6% in the same period last year. The oil sector's contribution to GDP is currently at 8.9%. The non-oil sector, which makes up 91.1% of the overall economy, declined slightly to 0.45% growth from 0.72% in the previous quarter, but remained higher than the -3.4% contraction a year ago. Output growth in this sector was supported by activities in the following subsectors: agriculture, finance and insurance, electricity, gas, steam, and air conditioning supply and other services.

Agriculture continued its strong and positive growth, which it had maintained throughout the recession, growing by 3.01% in Q2 2017, from 3.39% in Q1 2017 and 4.53% in Q2 2016.

Also, manufacturing retained its positive growth for the second consecutive quarter in Q2 2017, growing at 0.64% compared to 1.36% in Q1 2017 and -3.36% in Q2 2016.

Trade remained negative at -1.62%, but the contraction in the sector decelerated from the -3.08% recorded in Q1 2017. Financial institutions grew by 11.78% in Q2 2017, compared to 0.60% in Q1 2017 and -13.24% in Q2 2016.

GDP Growth Rate – Nigeria

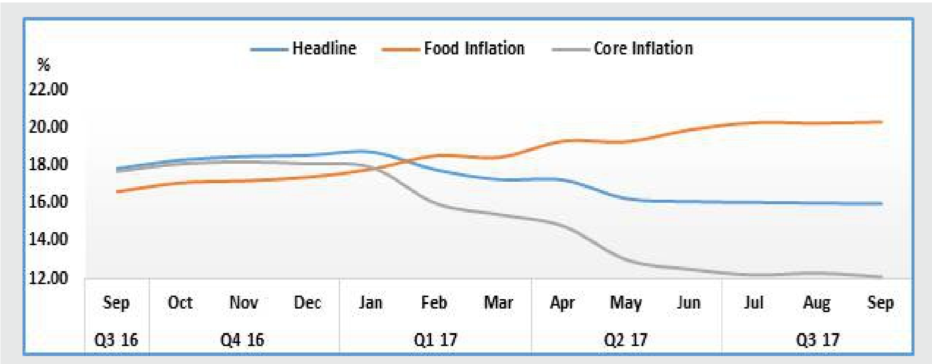


Source: NBS

2.2 INFLATION

Nigeria's annual inflation rate moderated for the eighth consecutive month in September, easing to 15.98%. This was 0.03 percentage points lower than the rate recorded in August. Food prices rose 20.32% from a year earlier, compared with 20.2% in August, driven by the costs of potatoes, meat and oils and fats. Core inflation slowed slightly to 12.1% y-o-y from the 12.3% y-o-y reported in August.

Inflation Year-on-Year

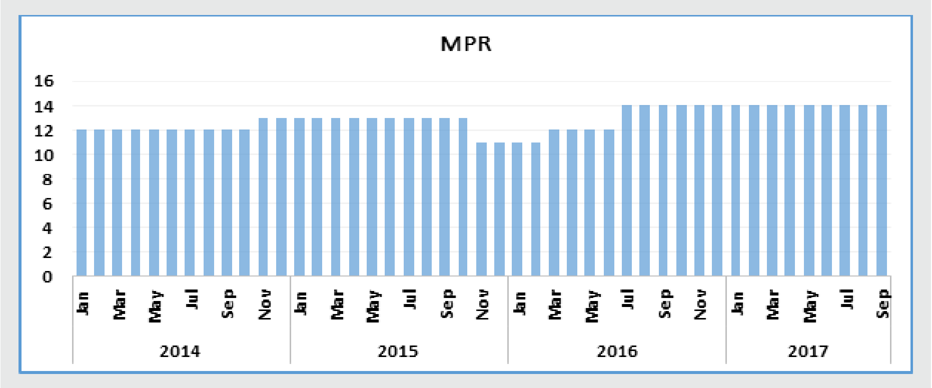


Source: NBS

2.3 MONETARY POLICY

At its 25-26 September monetary policy meeting, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) decided to leave the monetary policy rate as well as all other monetary policy parameters unchanged. Specifically, the monetary policy rate was retained at 14.00% with an asymmetric corridor of plus 200 and minus 500 basis points around the monetary policy rate. Also, the Committee left the liquidity ratio unchanged at 30.00% and the cash reserve ratio stable at 22.50%. This decision comes despite continued deceleration in headline inflation, weak credit growth and concerns over the fragile state of real GDP growth. In justifying its position, the CBN noted that episodes of flooding in some food producing regions in Nigeria, which could impact food inflation, and waning base effects pose upside risks to inflation outlook in the near term.

Trends in MPR

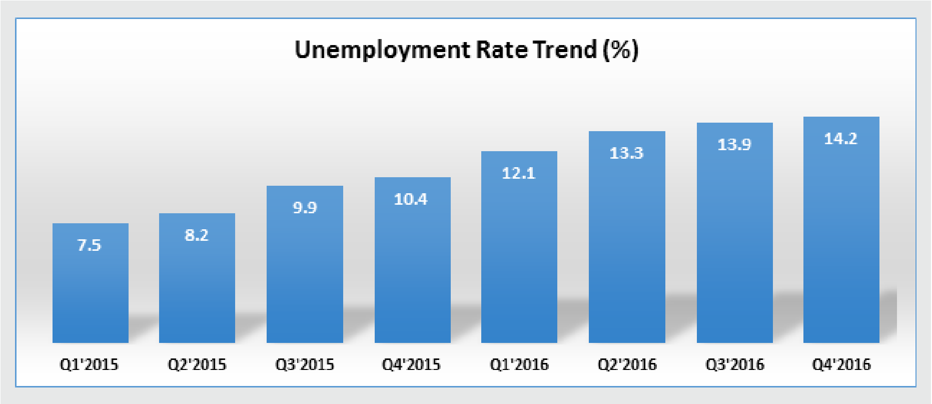


Source: CBN

2.4 UNEMPLOYMENT

Nigeria's unemployment rate rose to 14.2% in the fourth quarter of 2016, data from the National Bureau of Statistics (NBS) showed. The bureau disclosed that the rate rose from the 13.9% recorded in the preceding quarter of the year under review. According to the bureau, the population of unemployed was 28.58 million persons in the 4th quarter, compared to 27.12 million in the 3rd quarter. The report further stated that in Q4 2016, the labour force population (i.e. those within the working age population willing, able and actively looking for work) increased to 81.5 million from 80.67 million in Q3 2016, representing an increase of 0.6% in the labour force during the quarter.

Unemployment Rate Trend (%)



Source: NBS

2.5 EXTERNAL RESERVES

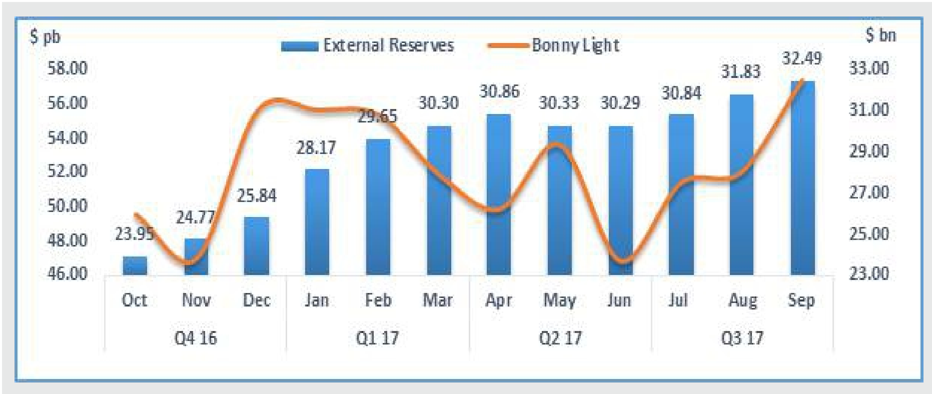
Foreign reserves continued to record steady accretion, reaching $32.49 billion as at 29th September - the highest since February 2015 - amidst the increase in Bonny light oil prices which reached a two-year high of N59.92 during the quarter and stable oil production of 1.85 million barrels per day (mbd) as at September 2017, according to the Organization of the Petroleum Exporting Countries (OPEC). Year-to-date reserves have gained 25.73% or $6.65 billion.

The apex bank disclosed in its data on foreign exchange utilization for July 2017 that it granted access to requests for foreign exchange, valued at $2.23 billion.

This amount consisted of $1.26 billion and $0.97 billion for visible and invisible trades, representing 56.5% and 43.5%, respectively.

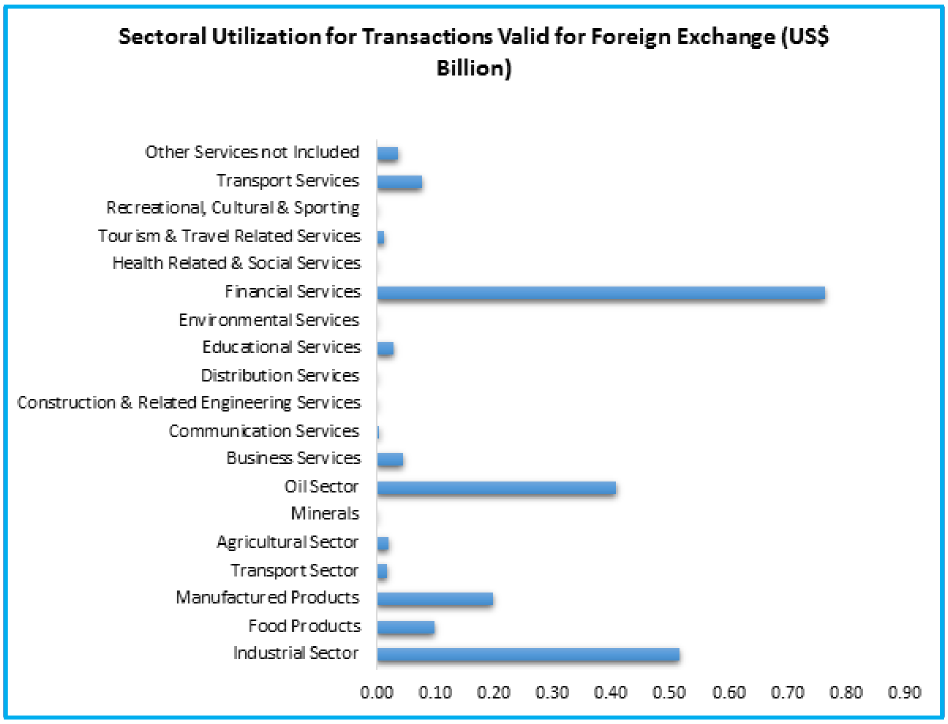
A breakdown shows that in July the Financial Services sector got the highest share of $764 million, accounting for 34.26% of the total forex allocation for the month. The Industrial and Oil sectors received $517 million and $407 million or 23.18% and 18.25% respectively. Manufactured Products received $198.53 million or 8.87%.

External Reserves and Crude Oil Price (Bonny Light)



Source: CBN

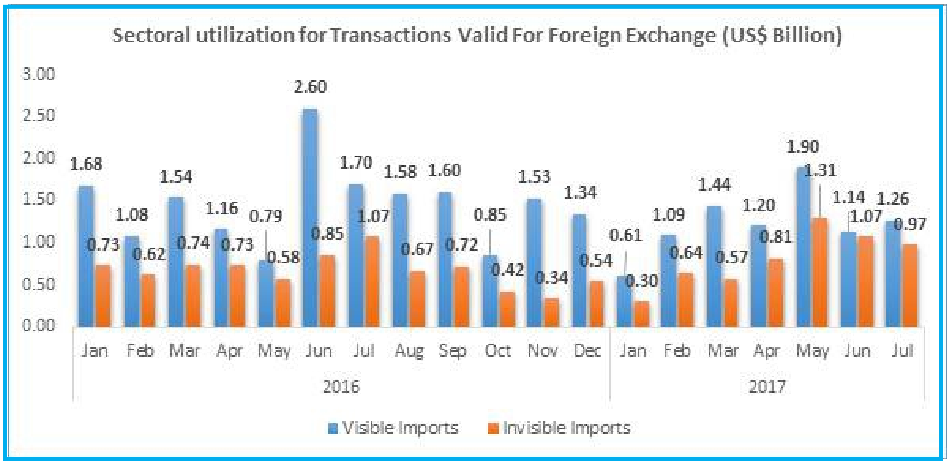
Sectoral FX Utilisation (US$ Million)*



*As at July 2017

Source: CBN

FX Utilisation (US$ Million)



Source: CBN

2.6 EXTERNAL TRADE

The total value of Nigeria's merchandise trade at the end of Q2, 2017 stood at N5.697 trillion. According to NBS in its Foreign Trade in Goods Statistics report for Q2 2017, this represents a slight increase of 7.7% from the value of N 5.292 trillion recorded in Q1. The Statistics Bureau noted that total export for the period under review stood at N3.10 trillion, representing an increase of 3.2% over Q1 2017 and 73.48% over Q1 2016. Accordingly, the marginal rise in exports as well as increased imports brought the country's trade balance in Q2 2017 to N506.5 billion from N719.4 billion recorded in Q1. Trade in crude oil was 2% more than the value recorded in Q1 2017 but 63.25%% higher than Q2 2016. During the same period, manufactured goods trade of N1.24 trillion accounted for 21.86%, raw materials goods at N0.32 trillion accounting for 5.63% of total trade.

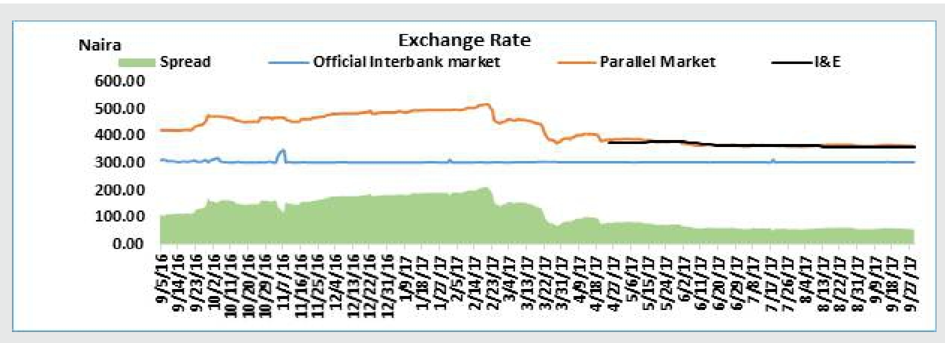
Foreign Trade Summary

Source: NBS

2.7 EXCHANGE RATE

The relatively tight monetary policy stance and aggressive CBN interventions helped drive Naira strengthening at all market segments. Specifically, at the CBN official market, the Naira remained stable against the dollar to close at N305.75/$ on September 29th relative to N305.9/$ on June 30th. In the parallel segment, the local unit firmed slightly against the dollar (0.54%) to N365 over the same period. Meanwhile, the Naira strengthened (1.60%) to N360.25 on 29th September in the Investors' and Exporters FX (IEFX) window from N366.41/$ on June 30th.

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

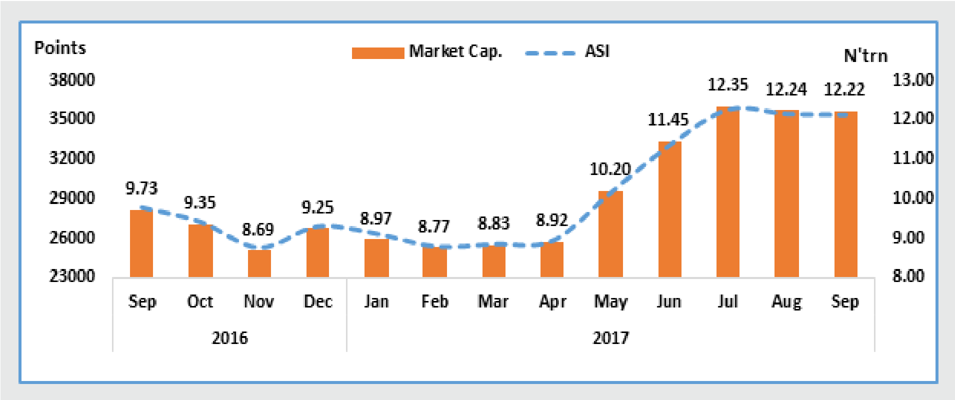


Source: CBN & FMDA

2.8 STOCK MARKET

The bullish run in the Nigerian equities market which started in Q2 extended into Q3 as sustained buying interest from investors lifted performance gauges. Specifically, the NSE market capitalisation, which represents total value of shares on the Exchange, went up by N765 billion to N12.217 trillion at the close of trading on September 29, 2017, against N11.452 trillion at the end of June 30, 2017. Similarly, the NSE All Share Index, which measures the price movement of stocks traded on the Exchange, surged by 2,322.50 points or 7.01% to 35,439.98 points at the close of business on September 29, 2017. Reviewing the sectoral indices for the period under review showed that all the indices closed positive except Oil and Gas, which declined by 13.10%. NSE Consumer Good index led the gainers chart by 15.89%, it was followed by the Banking index with a gain of 10.6%, while NSE 30 appreciated by 7.84%. NSE Industrial index appreciated by 2.69%, while NSE Insurance index rose by 1.36%.

Nigerian Stock Exchange and Market Capitalization

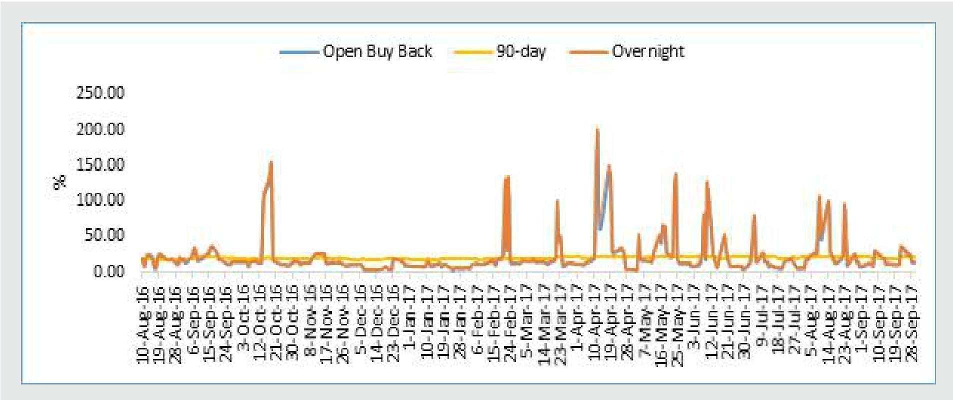


Source: NSE

2.9 NIBOR

Money market interest rates oscillated in tandem with the level of liquidity in the banking system during the quarter. The overnight interbank rate which opened at 5.75% on June 30th, closed at 14.25% on September 29th. Similarly the open buy back rate settled at 13.67% relative to 5.33% on June 29th. In the third quarter, overnight and open buy back money market rates reached peaks of 107.75% and 105% respectively as system liquidity was pressured by outflows through primary market bond auction and debits for FX sale. Rates across longer-tenored instruments were less reactive, with the 90-day rates hovering around 20% since June. The 90-day NIBOR closed at 21.21% on September 29th, relative to 21.60% recorded on June 30th.

Interbank Lending Rates



Source: FMDA

2.10 SOCIO-POLITICAL LANDSCAPE

The socio-political scene witnessed several developments in the quarter, notably the following;

The Independent National Electoral Commission (INEC) in September announced that it has fixed Saturday, February 16, 2019 as the date for the 2019 Presidential and National Assembly elections. The INEC Chairman who disclosed this at a meeting with Resident Electoral Commissioners (RECs) in Abuja, also said that the gubernatorial and state assembly elections and the Federal Capital will hold on March 2, 2019.

THE NIGERIAN ECONOMY

Similarly in September, the Academic Staff Union of Nigerian Universities, ASUU, officially suspended its one month, six days strike. ASUU said it was suspending the strike till end of October for government to fulfill its pledges. The union directed university lecturers to resume duty immediately. The suspension of the strike was announced after a meeting with the government delegation. At the meeting, a memorandum of understanding was signed with the federal government delegation led by the Minister of Labour who said both parties produced "collective agreement of action" after the meeting. ASUU embarked on an indefinite strike on August 13, following government's failure to implement the agreement reached with the union in November 2016.

Earlier in August, the federal government directed the National Broadcasting Commission, NBC, to sanction any radio or television station that broadcasts hate speech, as part of efforts to stem the growing tide of hate speech in the country. The Minister of Information and Culture issued the directive in Abuja at the 3rd Annual Lecture Series of the NBC. The Minister, who cited the ignominious role played by a radio station in fuelling the genocide in Rwanda in 1994, which led to the loss of over 800,000 lives in 100 days, charged the NBC not to allow the purveyors of hate speech to lead Nigeria to the path of destruction.

Also in August, the federal government said it had spent over N6.2 billion to feed about 3,000,000 pupils under its National Homegrown School Feeding Programme in pursuit of its Social Investment Programme (SIP). A statement by the Vice President's spokesman indicated a total of N6,204,912,889 had been paid out to 14 states in the school year ending August 2017. He listed the 14 states to include Anambra, Enugu, Oyo, Osun, Ogun, Ebonyi, Zamfara, Delta, Abia, Benue, Plateau, Bauchi, Taraba and Kaduna. He also said a total of 2,827,501 school children are currently benefiting from the programme while 33,895 cooks had equally been engaged in the communities where the schools are located across the 14 states.

2.11 FINANCIAL SECTOR DEVELOPMENTS

Several developments were recorded in the financial system in Q3;

In September, the Central Bank of Nigeria (CBN) directed banks and other authorised dealers to immediately commence the issuance of electronic Certificates of Capital Importation (eCCI) with immediate effect. The central bank stated this in a letter signed by its Director, Trade and Exchange Department. A CCI is a certificate issued by Nigerian banks confirming the inflow of foreign capital, either in the form of cash (loan or equity) or goods. A CCI is usually issued in the name of the investor within 24- 48 hours of the inflow of the capital into Nigeria. The primary purpose of the CCI is to guarantee access to the official foreign exchange market for repatriation of capital and returns on investment – dividend, interest, and capital on divestments. A copy of the CCI must be presented to the Nigerian bank to process a remittance by the requesting company.

In August, the Central Bank of Nigeria (CBN) announced that it had reviewed the guidelines for the Commercial Agriculture Credit Scheme (CACS) scheme. The review, according to a circular signed by the Director, Financial Policy and Regulation Department affected sections 16 and 17 of the guidelines and introduced significant changes, including a requirement that henceforth, the Nigerian Agriculture Insurance Corporation (NAIC) should provide insurance cover for all agricultural facilities/projects under the CACS in line with the NAIC Act. In furtherance of the above revision, the central bank has directed the immediate commencement of insurance premium payments by borrowers under the CACS scheme.

In August, Nigeria's central bank said it would be offering liquidity access to non-interest financial institutions (NIFIs) operating in the country through the introduction of two new financial instruments for the purpose of aiding liquidity management and deepening the financial system. The new facilities, which will be available to the institutions through the apex bank's window, are the Funding for Liquidity Facility (FfLF) and the Intra-day Facility (IDF).The non-interest financial institutions that would be eligible to access the FfLF are expected to either be in clearing and have a temporary debit balance and or have a liquidity problem, the central bank circular stated. The circular signed by the bank's director in charge of financial markets department, outlined key features of both instruments whose major purpose is to provide liquidity to help NIFI's tide themselves when constrained and such a need arises. The liquidity to be provided by the central bank would come in the form of a loan that requires collateral of a minimum of 110 percent, the circular stated.

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OUTLOOK FOR Q4 2017

Outlook for Q4 2017 and Beyond

- The apex bank will likely maintain benchmark interest rate at 14% in an attempt to anchor the downward inflation trend. Despite the ongoing deceleration in inflation, it is still significantly above the target corridor of 6-9%.

- We expect the dis-inflation trend to continue this year, supported by stabilizing food prices and sustained improvement in FX dynamics. But progress may be slow as base effects wane, and we are projecting inflation at 15.7% at end-Q4 2017.

- 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.

- Recovery in the oil sector (on less disruptive output) and stronger growth in the non-oil sector (on continued improvement in the foreign exchange space, commencement of capital releases, and continued growth in agriculture) will sustain recent output recovery. Overall, we estimate GDP growth of 0.5% y-o-y in 2017

- 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 nations' FX reserves is expected to get modest support from rising oil price and improved oil production.

- More initiatives at reducing poverty and creating jobs.

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