ACCESS
ECONOMIC QUARTERLY
Q1 2016

SPEED | SERVICE | SECURITY

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1.0

GLOBAL ECONOMY

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The global economy has regained a firmer footing after a turbulent start to 2016. The opening weeks of the year were notable for sizable falls in global stock markets, a renewed plunge in the oil price and remarkable declines in sovereign bond yields. Japanese ten year yields dropped below zero for the first time ever in February. The downturn in sentiment was sparked by two factors: concerns about the strength of Chinese demand and volatility caused by the start of US monetary tightening cycle.

Sentiment has since improved. The US has posted a raft of decent economic data, including excellent job creation number in recent weeks. There are further signs a cyclical upturn is under way in Chinese property market, while the introduction of further monetary easing by the European Central Bank (ECB) has encouraged European banks to lend more to companies. These developments boosted market confidence, prompted a market rally and even spurred higher commodity prices.

However, volatility remains the dominant theme of 2016 driven by further global monetary policy divergence and concerns that growth in China will be maintained at the current rate only by an unsustainable increase in debt. The developed world appears addicted to stimulus provided by central banks, and the outlook for emerging markets will not be helped by heightened geopolitical risk, the slowdown in China, depressed terms of trade and the need for pro-cyclical tightening in some countries.

These concerns prompted the Paris-based Organization for Economic Co-operation and Development (OECD), to cut its 2016 global growth forecast to 3% in its interim economic outlook, from the 3.3% it forecast in November. The OECD forecast would mean global growth this year would be no higher than in 2015, itself the slowest pace in the past five years.

GLOBAL ECONOMY
UNITED STATES/EURO AREA

Global GDP Growth

Source: IMF

1.1 UNITED STATES

In its third and final estimate of gross domestic product (GDP) in Q4 2015, the Commerce Department reported that GDP grew by 1.4%, up 0.4% from the previous estimate for the fourth quarter, but still down -0.6% from the third quarter. The final upward revision in GDP was due primarily to higher final figures for consumer spending. The full-year annual growth rate for real GDP in 2015 was 2.4%, the same as in 2014.

The U.S. economy continued to add jobs at a healthy pace in March, a sign of the domestic labor market's resilience despite economic turmoil overseas. Nonfarm payrolls rose by 215,000 in March and the unemployment rate edged up to 5% from an eight-year low of 4.9%. Revisions showed employers added 1,000 fewer jobs in January and February than previously estimated. Over the past three months, job gains averaged 209,000.

Consumer confidence rebounded in March, as Americans regained optimism about the short-term outlook for the economy. The Conference Board consumer confidence index rose to 96.2 in March after tumbling to a revised 94 in February.

After the Federal Open Market Committee's (FOMC) two-day meeting in March, the committee left interest rates unchanged, lowered its estimates of GDP for 2016 and 2017 and continued to single out global economic risk factors as a reason for not hiking rates at the meeting. In addition, the committee lowered its view of the long-run fed funds rate to 3.25% from 3.50%. The Fed in December increased short-term interest rates for the first time in nearly a decade. At the time, Fed-chair, Janet Yellen said the economy appeared to be "on a path of sustainable improvement."

Manufacturing activity in the U.S. returned to expansion territory in March for the first time in seven months and at a better-than-expected pace. The Institute for Supply Management's index of purchasing managers for March registered 51.8, an increase of 2.3 points from the February reading of 49.5. New orders and production boosted the sector during the month.

The Consumer Price Index (CPI), excluding the volatile food and energy components, increased 0.3% in February after a similar gain in January. In the 12 months through February, the so-called core CPI rose 2.3%, the largest gain since May 2012, after increasing 2.2% in January.

Consumption will continue to be a key driver. Household confidence remains solid, and household incomes are benefiting from strong employment growth and, also over time from stronger wages growth as the labour market tightens further. Business investment is still facing headwinds, particularly in the mining sector. If, as expected, the pace of US dollar appreciation slows and oil prices recover some lost ground, the headwinds may soften. The US dollar is also a drag on net exports, as is weak external demand.

GLOBAL ECONOMY
UNITED STATES/EURO AREA

1.2 EURO AREA

In the final three months of last year gross domestic product (GDP) expanded 1.6% percent year-on-year (y-o-y), the same pace as in the July to September period. For all of 2015, GDP in the Eurozone was up by 1.5% y-o-y.

The purchasing managers' indices (PMIs), regarded as a good growth indicator, point to a continuation of the economic upswing in the Eurozone. The combined PMI for manufacturing and services rose by 0.7 points in March to 53.7 points. The improvement was largely attributable to the healthy trend in the services PMI (54.0 points in March after 53.3 points in February).

The unemployment rate in the Eurozone was 10.3% in February, from 10.4% in January. It was the third consecutive fall in unemployment, which fell to its lowest rate since August 2011. This marked 15th consecutive month the region's unemployment rate has fallen.

Eurozone inflation surprised on the downside in February and is now back in deflation territory. Headline inflation fell to -0.2% y-o-y from 0.3% y-o-y in January, while core inflation was also very weak at 0.7% y-o-y compared with 1.0% y-o-y in January. The decline in core inflation was driven mainly by non-energy industrial goods price inflation, which was 0.3% y-o-y in February, down from 0.7% y-o-y in January.

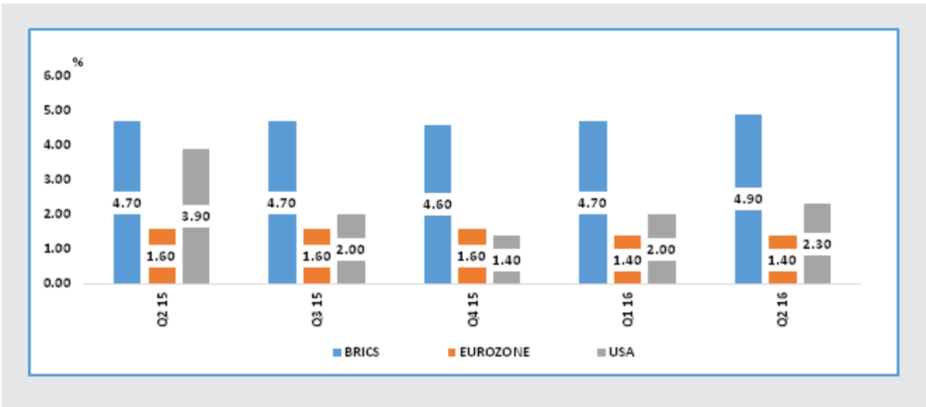
Eurozone economic sentiment fell to its lowest level in more than a year in March, despite additional easing measures taken by the European Central Bank (ECB) to tackle the deflation threat and stimulate growth. The economic sentiment index dropped to 103 from a revised 103.9 in February as a result of significantly reduced expectations in services and the decline in consumer confidence.

The ECB in March announced a broad package of extra stimulus measures. The fresh measures included a cut to its main interest rate to 0% from 0.05%, the marginal lending rate - used by banks to borrow from the ECB overnight - to 0.25% from 0.3%, and the bank deposit rate, to minus 0.4% from minus 0.3%. The bank stepped up the pace of its monthly bond purchases from €60bn to €80bn and added corporate bonds to the mix of assets it can buy as part of its large-scale asset-purchase program. The scheme also includes long-term cheap loans of up to four years to help support banks.

Lending to Eurozone companies and households grew at its fastest pace since late 2011 in February. The ECB said that loans to households rose by 1.6% on the year in February, an improvement from 1.4% growth the previous month. Loans to firms grew by 0.9% in annual terms in February compared with 0.6% growth in January. The ECB also said that its broad indicator of money supply M3 grew by 5.0% on the year in February

Although there are signs of renewed life in the region, Eurozone confidence (and growth) will continue to be undermined by wider questions about the future of the Eurozone, the rise of national opt-outs from region-wide policy and its members' inability to resolve the migrant crisis.

GDP Growth Rate & Forecasts – Regional Comparison



Source: Bloomberg

1.3 BRICS

The promise of BRICS rapid and sustainable growth has remained challenged. Brazil and Russia are in full blown recessions, China is trying to stave off a big slow down, and India, while still of interest to global investors, is struggling to put through the economic reforms that would help it reach its full potential. South Africa remains hobbled by political and structural challenges.

Brazil

A sprawling corruption investigation has caused political gridlock in Brazil, while the country's economy battles a deep recession. The national statistics office of Brazil (IBGE) reported that seasonally adjusted GDP declined 5.9% in the fourth quarter. For the full year of 2015, the Brazilian economy plunged 3.8% - the worst contraction since 1990.

Brazil's annual inflation rate fell below 10% in mid-March for the first time in five months, but remains high and above the central bank's target range of 6.5% as the recession deepens. Consumer prices rose 9.95% in the 12 months through mid-March, down from a 12-year high of 10.84% in mid-February. Policy makers have kept the benchmark interest rate unchanged in the past five meetings at 14.25%, the highest level since 2006.

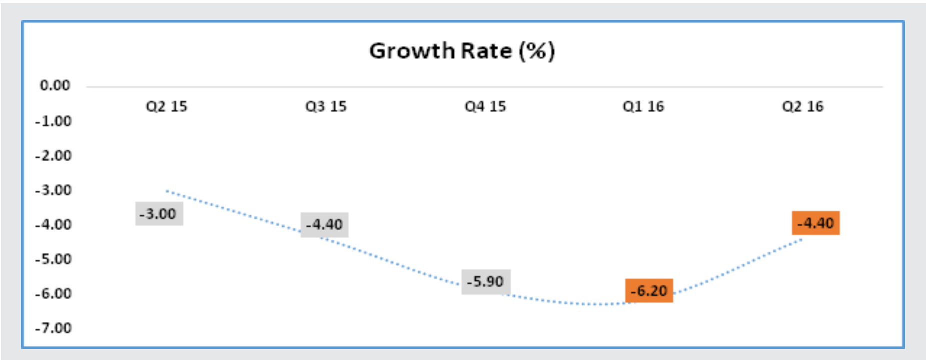
Brazil's Manufacturing PMI fell to 44.5 in February from 47.4 in January, marking the 13th consecutive sub-50 reading. On a 3-month average basis, Brazil's manufacturing sector remained in a contraction (45.8) over the 3-month period through February 2016.

Retail sales fell 1.5% in January after a 2.7% drop in December. Sales fell 10.3% over the past 12 months. Retail sales fell the most on record last year as more than 1.5 million Brazilians lost their jobs. The unemployment rate in the three months through January rose to 9.5% from 6.8% for the same period a year ago.

Moody's in February downgraded Brazil's credit rating by two notches, to Ba2 with a negative outlook. The downgrade was attributed to deteriorating government debt indicators, economic weakness and "the challenging political environment." This development follows Fitch's decision to downgrade Brazil to the lowest level of investment grade BBB- with negative outlook last year.

Brazil will confront challenges on multiple fronts in the coming months. Consumers are set to face significant headwinds in the coming year as job losses will increase, feeding through to rising defaults, which will limit lending to households. A weak exchange rate will also exacerbate these domestic headwinds to private consumption. As the exchange rate weakens, Brazil's ability to import goods will be hampered. Moreover, foreign investors' confidence in Brazil will continue to fall. President Dilma Rousseff faces an uphill battle against impeachment that has hampered her ability to pass measures to fix a growing budget deficit which also fuels inflation.

Growth Rate & Forecast - Brazil



Source: Bloomberg

Russia

Russia is entering a third year of disappointing growth. Subpar performance reflects terms of trade losses, worsening global conditions, and the adverse impact of sanctions on business confidence and investment.

According to the state statistics service, Rosstat, Russia's economy shrank 3.8% y-o-y in the fourth quarter. This follows a minus 3.7% y-o-y fall in the third quarter, which was revised up from the original minus 4.1% reading.
The contraction in Russia's manufacturing sector intensified in March as companies continued to cut jobs. The headline Purchasing Managers' Index for the manufacturing sector declined to 48.3 in March from 49.3 in February, remaining below the 50 level that separates growth from contraction for the fourth month in a row.

Inflation, which slowed to 8.1% in February from 9.8% in January, is still more than twice the Central Bank of Russia's (CBR) medium-term target of 4%. The CBR left its benchmark interest rate unchanged at

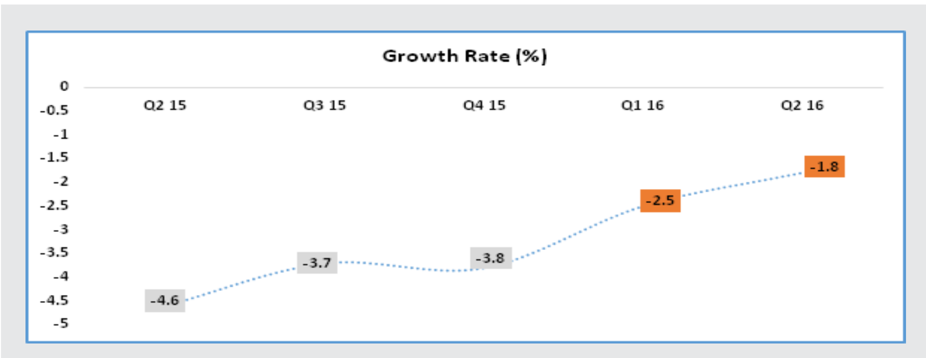
11% on March 18th saying inflationary risks remain high due to developments in the oil market and budget uncertainties.

Retail sales fell 5.9% from a year earlier in February after a 7.3% percent drop a month before. Real disposable incomes declined 6.9% after a 6.3% drop in January, while unemployment remained at 5.8% for a fourth month.

Consumer sentiment in Russia increased slightly in February but confidence continued to bump along close to record low levels. The MNI Russia Consumer Sentiment Indicator increased to 69.6 in February from 69.2 in January. Consumers were a little more pessimistic about their current situation and slightly less pessimistic about the future. Overall sentiment is very weak. It is running a little below the 2015 average of 71.6 and is 4.8% down from a year ago.

With oil prices below $40/barrel, the Russian ruble has come under further heavy pressure. The ruble has lost about 7% against the dollar this year, after declining 25% and 40% in 2015 and 2014, respectively. The sharp drop in oil prices threatens the 2016 federal budget, which was based on a $50/barrel assumption, and also jeopardizes the current account surplus that amounted to $65 billion (5.5% of GDP) last year. To compensate for lower oil-related revenues, the government is preparing to cut 10% from its spending (approximately 2% of GDP). While this should keep the fiscal deficit from widening beyond 4-4.5% of GDP, the additional dose of fiscal austerity will negatively impact economic growth. Potential upside risks to outlook are a higher oil price, looser monetary policy and expansionary fiscal policy.

Growth Rate & Forecast -Russia



Source: Bloomberg

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SPEED SERVICE SECURITY

India

India's real GDP growth decelerated to 7.3% y-o-y in Q4 2015 from a significantly upwardly revised rate of 7.7% y-o-y in the previous quarter, bringing growth for the fiscal year to 7.5% y-o-y.

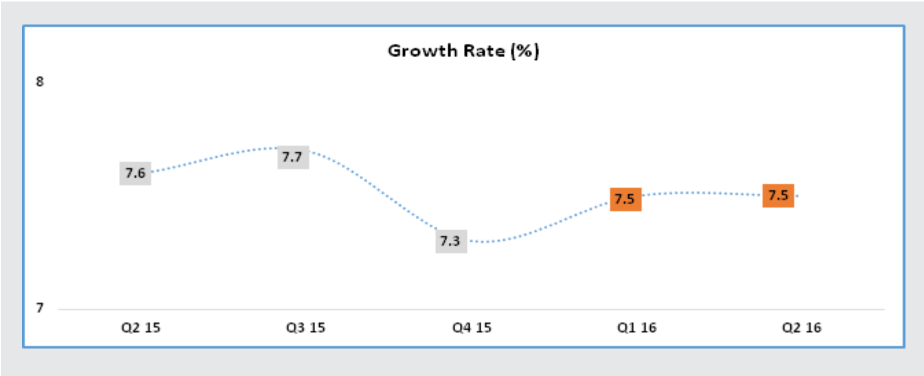
The Nikkei/Markit Manufacturing Purchasing Managers' Index rose to an eight-month high of 52.4 in March from February's 51.1, its third straight month above the 50 mark that separates growth from contraction. The latest survey showed the new orders sub-index, a proxy for domestic demand, also rose to an eight-month high of 53.9 in March from 52.3, encouraging firms to increase output. Foreign demand also rose though at a slightly more moderate pace.

India's trade deficit for February narrowed to $6.54 billion, mainly due to soft demand for crude oil and falling commodity prices, compared with $7.64 billion a month ago. For the 12 months up to February, the trade deficit recorded $125.2 billion, which was broadly unchanged from the $125.4 billion gap tallied in the 12 months up to January.

Inflation remained subdued in India, with consumer price inflation (CPI) ticking lower to 5.2% y-o-y in February from 5.7% in January as food prices declined. The monthly decrease reflected lower prices for food and beverages compared to the previous month. The central bank aims to bring retail inflation down to 5% by March 2017. Tame inflationary conditions gave the Central Bank confidence to lower key policy rate by 25 basis points to 6.50% at its March meeting.

Domestic demand, which is supported by low oil prices, will continue to fuel robust rates of growth going forward. However, weak growth in the agricultural sector as a result of a bad monsoon, slow reform progress and external headwinds will probably prevent the Indian economy from growing at a faster rate.

Growth Rate & Forecast - India



Source: Bloomberg

China

The gradual transition of the Chinese economy towards a more sustainable, albeit lower, pace of growth continues. China's economic expansion slowed in 2015 to an official rate of 6.9%, falling below the 7% target for the first time since the global recession in 2009 and the weakest annual growth in more than 20 years. Real GDP growth decelerated to 6.8% y-o-y in Q4 2015 from 6.9% y-o-y in Q3 2015

Activity in China's manufacturing sector unexpectedly expanded in March for the first time in nine months, suggesting the government's fiscal and monetary stimulus may be kicking in. The official Purchasing Managers' Index (PMI) rose to 50.2 in March, up from February's 49 but still only marginally above the 50-point mark separating growth from contraction.

Inflation picked up in February to 2.3% from 1.8% previously, remaining below the People's Bank of China (PBoC's) target of 3% for 2016 and providing room for further monetary easing. China stepped up its easing policy further in February with a cut in the reserve requirement ratio by 50 basis points for all banks, taking the ratio to 17% for the country's biggest lenders. This came only four weeks after China announced a reduction in the down payment for first time house buyers

GLOBAL ECONOMY
BRICS

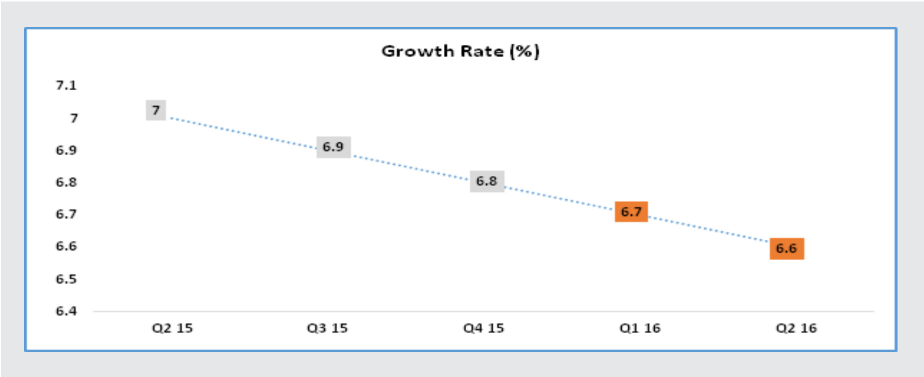
February exports came in much weaker than expected at -25.4% y-o-y and the trade surplus shrank to $33 billion, the lowest level for 11 months. China's foreign exchange reserves rose slightly in March to $3.21 trillion, the first increase in five months, a sign Beijing may have partially succeeded in stemming heavy capital outflows that destabilized global markets earlier this year.

Fixed Asset Investment (FAI) grew by 10.2% y-o-y in the first two months of 2016, reversing the category's downward trend for the first time since June 2014. In particular, infrastructure investment grew at a 15.0% y-o-y pace, suggesting that fiscal and monetary support measures are having a stabilising effect. Following strong sales, the pace of investment in real estate development accelerated to 3.0% y-o-y in January and February compared with a 1.0% increase throughout 2015.

According to the National Bureau of Statistics (NBS), retail sales grew by 10.2% y-o-y in the first two months of 2016. In January and February, internet retail sales came in at 25.4% y-o-y, which was considerably higher than the overall retail sales growth rate of 15.2%. Standards and Poor's (S&P) cut its outlook for China's sovereign credit rating to negative from stable, but maintained the rating at AA-, saying the government's reform agenda is on track but likely to proceed more slowly than expected. The downgrade for China's outlook follows a similar move by ratings agency Moody's Investor Services in early March.

Due to weak domestic and external demand, the manufacturing sector is likely to continue facing headwinds in the coming quarters. Chinese construction and industry look set to witness a moderate recovery as policy stimulus aimed at the housing market should gradually start to kick in. Exports will continue to face downward pressure as growth in China's major trading partners, such as the US, Japan, and the Eurozone, is likely to remain tepid in 2016.

Growth Rate & Forecast - China



Source: Bloomberg

South Africa

Statistics South Africa reported that the country's GDP grew by 0.6% quarter-on-quarter (q-o-q) seasonally-adjusted annualised rate in Q4. That was below Q3's outturn of 0.7%. The breakdown of the data showed that the slowdown in the q-o-q growth rate in Q4 was due largely to the poor performances of the manufacturing and services sectors. Manufacturing output dropped by 2.6% q-o-q, having expanded by 6.2% in Q3. Meanwhile, services sector growth eased to 1.5% from 1.9% (due to softer growth in finance and government services).

In February, CPI inflation increased by 1.4% month-on-month (m-o-m) which translated to an acceleration of the annual rate of growth to 7.0% y-o-y from 6.2% y-o-y previously, breaching the Bank's 3-6% target range for the first time in 17 months. Much of the 7.0% y-o-y rise in CPI inflation was attributable to relatively strong food price growth of 8.8% y-o-y, compared to a prior 7.0% y-o-y. The South African Reserve Bank's (SARB) monetary policy committee in March voted to raise the Bank's key interest rate by 25 basis points to 7.00% from 6.75%.

The seasonally adjusted Barclays Purchasing Managers' Index (PMI) rose to 50.5 index points in March 2016. This is the first time since July rise in CPI inflation was attributable to relatively strong food price growth of 8.8% y-o-y, compared to a prior 7.0% y-o-y. The South African Reserve Bank's (SARB) monetary policy committee in March voted to raise the Bank's key interest rate by 25 basis points to 7.00% from 6.75%.

The seasonally adjusted Barclays Purchasing Managers' Index (PMI) rose to 50.5 index points in March 2016. This is the first time since July 2015 that the index managed to edge above the neutral 50-point mark, signalling a possible expansion in the sector. While the improvement in March is encouraging, the average reading for the first quarter (47) is only 1.4 points better than the average recorded in the fourth quarter of 2015.

The Bureau for Economic Research (BER) Business Confidence Index (BCI) was unchanged at 36 in the first quarter of 2016. While sentiment recovered in four of the five sectors during the quarter, improvements were small. Also, confidence among manufacturers collapsed to levels last seen during the 2009 recession.

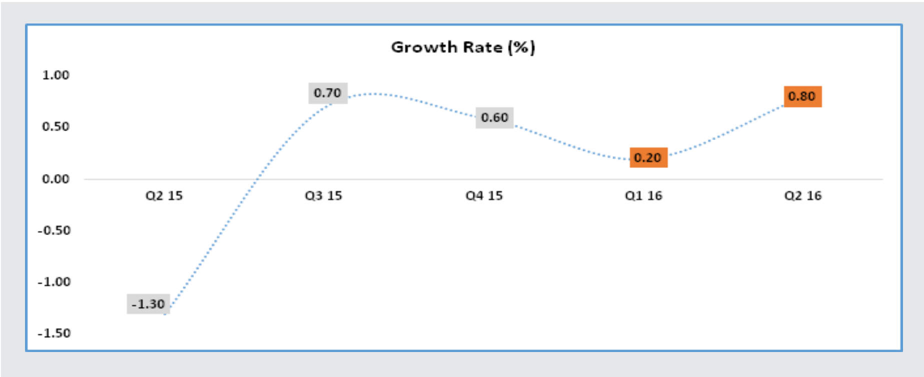
South African retail sales rose by just 3.1% y-o-y in January, weaker than the 4.1% growth posted in December and far below the 3.6% expected by the Bloomberg consensus. Retail sales were probably depressed by rising inflation.

South Africa's trade deficit narrowed to just 1.1 billion rand in February from 17.9 billion rand in January 2016. Export earnings were 16.5% higher than in February 2015. Import growth was a comparatively muted, though still respectable 7.5% y-o-y.

South Africa's economic growth outlook over the rest of 2016 remains weak. Business confidence is likely to remain suppressed, on high levels of government policy uncertainty, particularly threats to private sector property rights in the left-leaning political environment.

2015 that the index managed to edge above the neutral 50-point mark, signalling a possible expansion in the sector. While the improvement in March is encouraging, the average reading for the first quarter (47) is only 1.4 points better than the average recorded in the fourth quarter of 2015.

Growth Rate & Forecast – South Africa



Source: Bloomberg

2.0

THE NIGERIAN ECONOMY

THE NIGERIAN ECONOMY

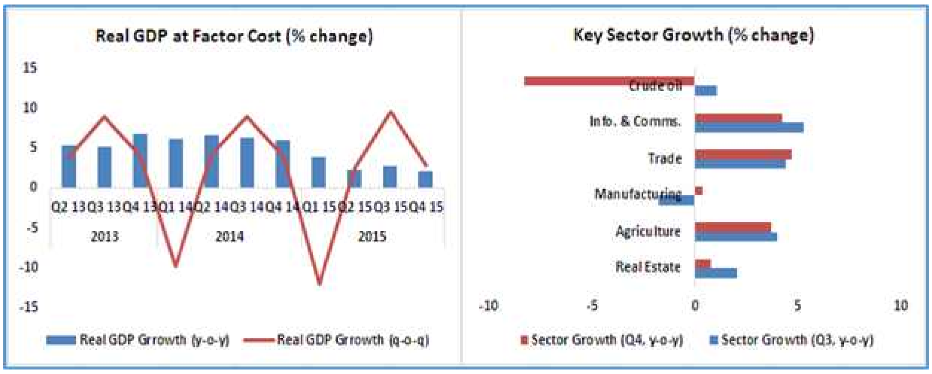
Below is a snapshot of the domestic economy in Q1 2016.

Monetary Policy Rate (MPR) increased to 12%	Credit to Private Sector slightly improved to N18.99 trillion	Naira remained under pressure
Stock market All Share Index and market Capitalisation closed lower at 25,306.22 points and N8.70 trillion respectively	Foreign reserves dropped to $27.86 billion	Inflation soared to 11.4%
Security Concerns: Boko Haram insurgency and tensions in the Niger Delta	cash reserve ratio (CRR) raised to 22.5%	Oil Prices (Bonny Light) witnessed significant volatility before closing at $37.32 per barrel

2.1 GDP GROWTH

According to latest data release from the Nigerian Bureau of Statistics (NBS), Nigeria's real Gross Domestic Product (GDP) growth rate slowed to 2.11% in the fourth quarter of 2015 from 2.84% in the preceding quarter, and well below the 5.94% registered in Q4 2014. Growth over 2015 as a whole fell to 2.79% from 6.22% in 2014. Oil production fell to 2.16 million barrels a day from 2.17 million barrels in the third quarter. The oil industry contracted 8.28% in the three months through December compared with expansion of 1.1% in the previous quarter, the statistics office said. Growth in the non-oil industry, which accounts for 90% of GDP witnessed little change at 3.13%. The construction industry contracted by 0.35% y-o-y in Q4, representing a decline of 13.01% points from the rate recorded a year previous. Manufacturing remained weak, recording a growth rate of 0.38% y-o-y. Growth was however 2.13% points higher than rates recorded in the third quarter of 2015. When compared to industry, the services sector performed slightly better on average, but the main growth drivers largely recorded slower growth rates in Q2 – trade: 4.69% y-o-y (4.40% y-o-y in Q3); information & telecoms: 4.21% y-o-y (5.27% y-o-y in Q3); finance: 6.41% y-o-y (6.57% y-o-y in Q3); and, real estate: 0.79% y-o-y (2.06% y-o-y in Q3).

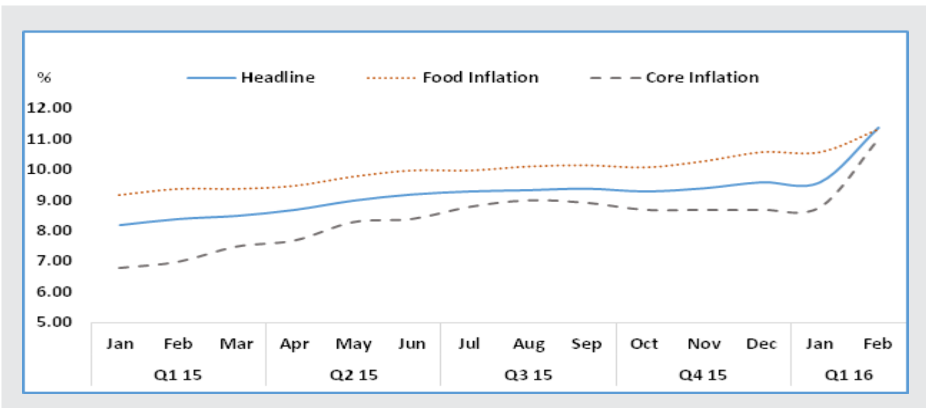
GDP Growth Rate – Nigeria



2.2 INFLATION

Inflation soared to 11.4% in February from 9.6% a month earlier, and is now outside the policy reference band of 6-9%. The acceleration in prices has been broad-based. Food inflation (just over half of the CPI basket) rose for the 11th consecutive month in February to 11.4% from 10.6% and core inflation accelerated to 11.0% from 8.8%. The impact from higher imported costs was explicitly cited by the statistics office. Despite the official exchange rate's stability, the naira's depreciation in the parallel market will have filtered into consumer prices as some firms have had to source scarce FX from the black market to import intermediate goods to maintain operations.

Inflation Year-on-Year



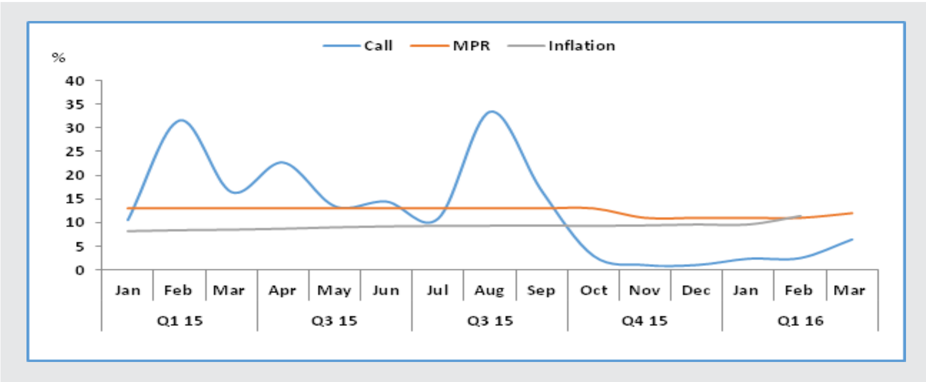
Source: NBS

2.3 MONETARY POLICY

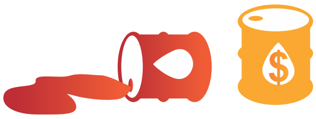
An acceleration in inflation to a 3-year high of 11.4% in February prompted the Central Bank (CBN) to reverse direction and tighten monetary policy at its MPC meeting on March 21-22. The Monetary Policy Rate (MPR) was hiked 100 bps to 12% and the asymmetric corridor narrowed to +2% to -5% from +2% to -7%; the Cash Reserve Requirement (CRR) for banks was raised by 250 bps to 22.5%; and the Liquidity Ratio was left unchanged at 30%.

Without a rate hike, real rates would have become negative, further deterring already hesitant capital inflows and jeopardizing recent stability in foreign exchange reserves that have hovered around $27.9 billion since mid-February.
The MPC also "reiterated its commitment to maintaining a stable exchange rate" but "charged the Bank to speed up reforms of the foreign exchange market". Quite what these reforms are remains to be seen.

Trends in MPR, Call and Inflation Rate



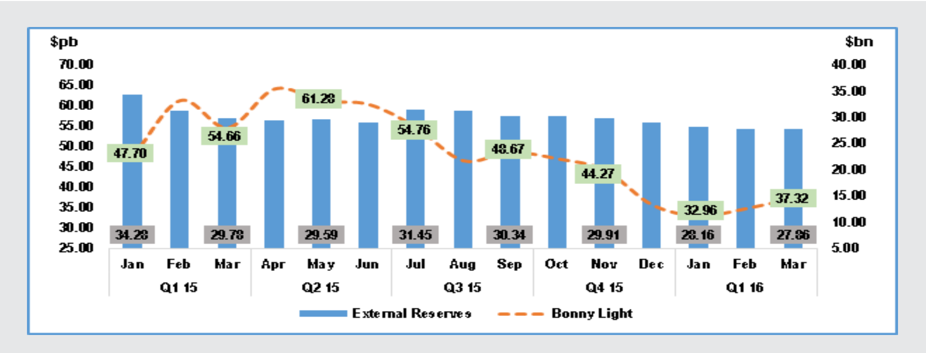
Source: NBS & CBN



2.4 EXTERNAL RESERVES

Foreign exchange reserves slumped to a historic low of $27.86 billion as at March-ending, representing a decline of 4.12% year-to-date (ytd) and 5.59% y-o-y. The erosion of forex reserves has been largely attributed to the significant reduction in forex inflow into the country occasioned by the sustained low crude oil prices and shrinking foreign portfolio inflows. Having fallen to as low as $28.85 per barrel in early February, Bonny light crude surged by 29.36% to $37.32 per barrel on the 31st of March. The rally came on the back of a tentative deal to freeze production at January levels that has the support of Saudi Arabia and Russia and which investors hope is the first step to more far-reaching action to re-balance a heavily oversupplied market.

External Reserves and Crude Oil Price (Bonny Light)



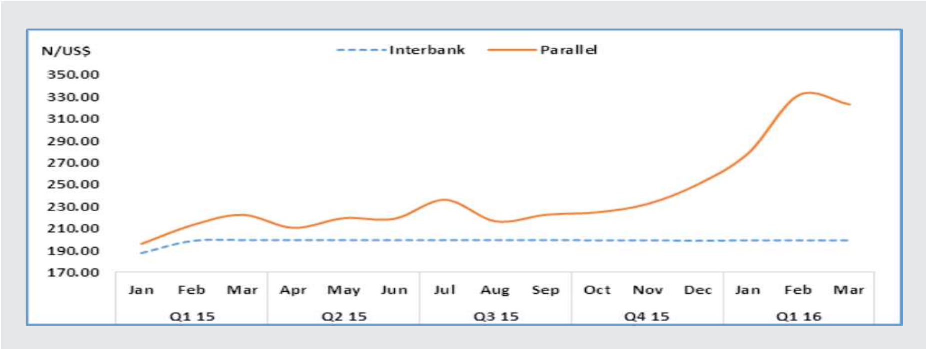
Source: CBN

THE NIGERIAN ECONOMY

2.5 EXCHANGE RATE

On the Forex scene, pressures on the naira persisted despite the administrative measures taken by the CBN to curb speculative actions against the naira. The CBN in January made public its decision to discontinue sales of foreign exchange to Bureaux de Change (BDCs), saying that operators in that segment of the market would now need to source their foreign exchange from autonomous source. While the FX intervention rate of the apex bank has remained at N197.00/$, and was also stable at the interbank, averaging 198.84/$ in March, the local currency fell as low as N385/$ to the greenback at the parallel market in February, before settling around N323/$ on March 31st 2016.

Foreign Exchange Rate: Interbank and BDC



Source: CBN & FMDA

2.6 STOCK MARKET

The stock market failed to regain momentum in Q1 2016 as all performance indicators settled lower compared to Q4 2015. The All Share Index (ASI) closed at 25,306 points on March 31st, equivalent to a ytd decline of 11.65%. Similarly, market capitalization plunged by N1.15 trillion from year-start to end at N8.70 trillion as at March 31st – a loss of 11.67%.

The local bourse has been struggling to shrug off bearish sentiments on concerns over a wobbly macro outlook. Volatile trading on the local bourse prompted the NSE to introduce a circuit breaker in

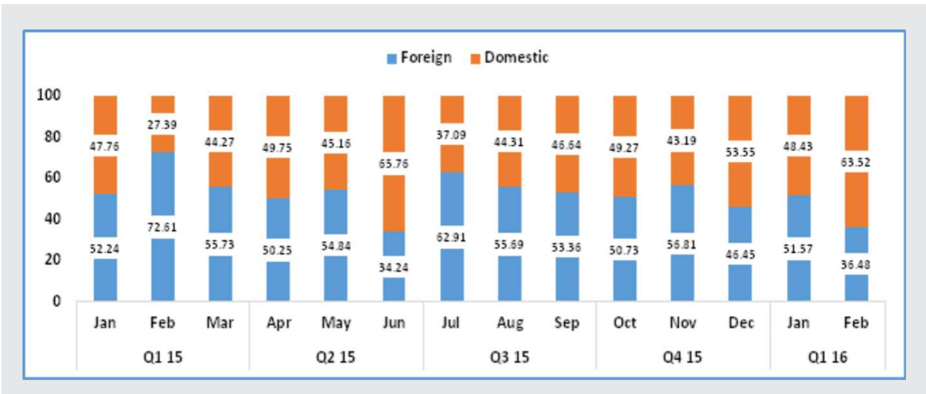
January to limit price swings. By the circuit breaker, it means trading on the Nigerian Stock Exchange will be stopped for 30 minutes if the All Share Index moves more than 5 percent from the previous day's close between 10:15 a.m. and 1:45 p.m., the bourse said. The market will close for the day if the circuit breaker is triggered for a second time.

The share of foreign portfolio participation in the Nigerian bourse shrank in February to 36.48%, compared to 51.57% the previous month. The decline has been largely due to perceived rising macroeconomic risks.

Nigerian Stock Exchange and Market Capitalization

Source: NSE

Domestic & Foreign Portfolio Participation in Equity Trading

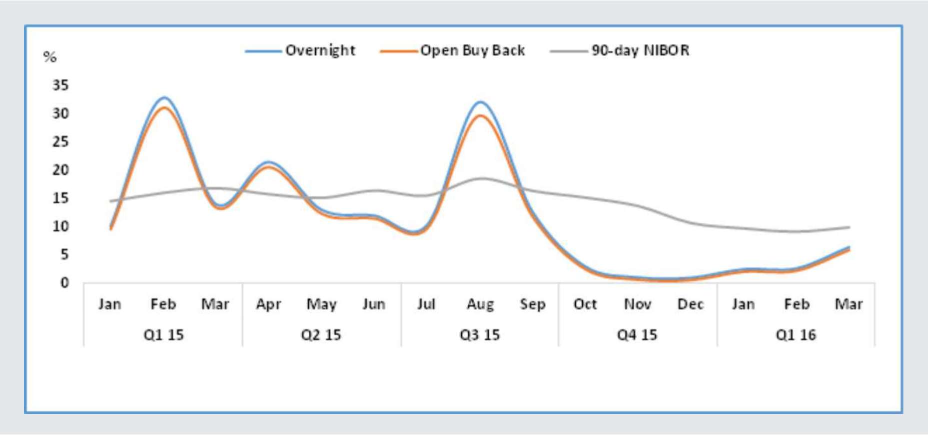


Source: NSE

2.7 NIBOR

March 2016 average money market pricings ticked up to 5.97% and 6.51% for Open buy Back (OBB) and overnight interbank (ON) rates respectively; this compares unfavourably to the December 2015 average pricings of 0.65% and 1.06% respectively. Elevations in the OBB and ON cash market pricings in March were largely driven by the CBN's pre-funding policy requiring banks to pay for FX purchases and the upward review in CRR. Longer-dated instruments such as the 90-day NIBOR however rates remained relatively flat at an average of 10.00% in March compared to 10.79% in December

Interbank Lending Rates



Source: Budget Office & FMDA

2.8 FINANCIAL SECTOR DEVELOPMENTS.

A number of developments and policy pronouncements dominated headlines in the first quarter. Most notable are the following:
The Central Bank of Nigeria in January announced its decision to stop selling foreign exchange to Bureau de Change (BDCs) operators as part of a move to preserve the external reserves. The apex bank however said the BDC operators are allowed to source for forex from any other source that will not be contrary to the money laundering laws. In the same circular outlining this decision, the monetary regulator also announced it was lifting the ban earlier imposed on foreign currency deposits into domiciliary accounts. The initial decision to ban cash deposits was hinged on the apex bank's

"continued efforts to stop illicit financial flows in the Nigerian banking system which aligns with the anti-money Laundering stance of the Federal Government."

In another development, Nigeria's Central Bank directed commercial banks to start enforcing the country's stamp duties law on financial transactions with "immediate effect". In a circular to the banks in January, the CBN asked the banks to charge N50 on every N1,000 deposit or electronic transfer made by customers. Deposits or transfers made by a person to his own account, interbank or intra-bank are exempted. Also exempted are withdrawals from savings accounts. The CBN said the charges are only payable by receiving accounts and urged banks and financial institutions to support government drive to boost revenue base, in view of the gross fall in oil income.

Again in January, The Central Bank of Nigeria, CBN, introduced a maintenance fee of N1 on every current account transaction. In a circular addressed to all banks, the CBN said, "In the interest of stability, of the banking system, a negotiable current account maintenance fee not exceeding N1.00 per mille (1/N1,000) may be charged in respect to all customer induced debit transaction". The apex bank observed that while COT was gradually phased out, some banks began charging maintenance fee in addition to COT, adding that it was also aware of the impact of dwindling oil prices, Treasury Single Account, TSA, and other market turbulence.

In a circular issued in February the CBN made clarifications on Biometrics Verification Number (BVN) related issues. Among other things, it said bank accounts without the BVN would be operated as "No Customer Initiated Debit". It added that the CBN said change of names due to marriage should be allowed with supporting documents such as marriage certificate or affidavit among others. The apex bank noted further that minor correction of names due to misspelling should be allowed, with supporting documents such as international passport showing the correct name. According to the circular, change of names that are totally different should only be allowed after customer has produced supporting documents. The CBN said this should be reported to the Nigerian Financial Intelligence Unit as suspicious transaction by the bank customer. The customers of the BVN database should be same in all his/her accounts, across the banking industry, the circular said.

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OUTLOOK FOR Q2 2016

OUTLOOK FOR Q2 2016

Outlook for Q2 2016 and Beyond

- Monetary Policy Rate (MPR) may still remain at 12%.
- Inflation to remain in the double digits region due to ongoing pressures on the naira and food inflation pressures.
- The Naira is expected to continue enjoying stability at the interbank segment on the back of administrative measures to limit FX demand.
- Mild recovery in Q2 2016, with 3.0% growth expectation, driven by anticipated increase in government spending, higher capital expenditure outlay clearer policy direction.
- Bond yields are likely to continue their recent rising trend in the wake of the CBN tightening.
- More initiatives at reducing poverty and creating jobs.

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