ACCESS

ACCESS ECONOMIC QUARTERLY
Q3 2018

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IN THIS EDITION

ACCESS ECONOMIC QUARTERLY
Q3 2018

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1.0

GLOBAL ECONOMY

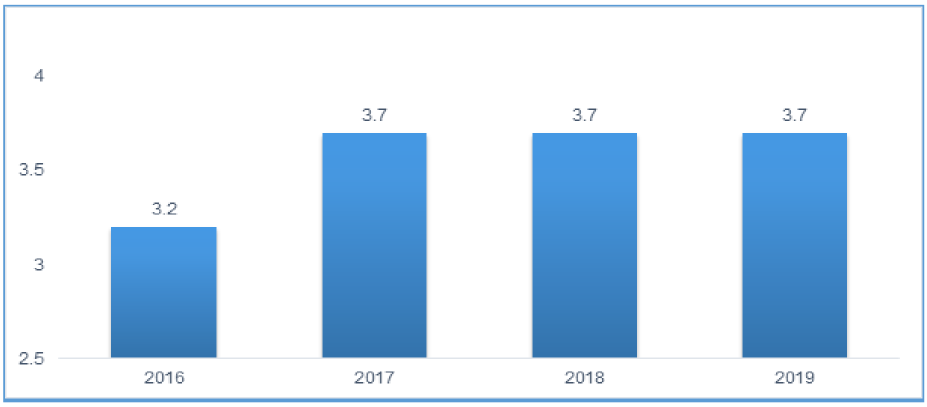
GLOBAL ECONOMY

Global economic growth appears to have lost steam in Q3 after an impressive Q2 result. Strengthening U.S. dollar and higher borrowing costs are unnerving financial markets in developing economies, while rising trade protectionism is starting to weigh on business sentiment – all constituting a drag on global growth.Data from the WTO's latest World Trade Outlook Indicator (WTOI), released in August, signaled an easing of trade growth in Q3. The WTOI's current value dropped to 100.3 from 101.8, reflecting declines in export orders, automobile production and sales. In addition the WTO downgraded its outlook for global trade in 2018 to 3.9% from its April 2018 estimate of 4.4% due to heightened tensions between major trading partners.

Global oil prices have been on a steady increase and witnessed highs of $80's in the third quarter of 2018. Resilient global demand and supply concerns are driving the rise in oil prices globally. Brent prices closed at $82.72 per barrel in September 2018 compared to $76.72 at the end of June 2018. Fears about global supply disruptions in the wake of U.S. sanctions against Iranian oil exports led the rally in Brent crude oil prices. Iran is already feeling the pinch from U.S. efforts to reduce Iran's oil shipments to "zero", and the introduction of the second round of sanctions on 4 November will deal a further blow to the Iranian oil sector.

The International Monetary Fund cut down the global growth forecast for 2018 and 2019 to 3.7% from an initial 3.9% citing that trade tensions between the U.S. and trading partners have started to hurt economic activity worldwide as well as turbulence in emerging markets. This is the first downgrade since July 2016.

GLOBAL GDP GROWTH



Source: IMF

GLOBAL ECONOMY
UNITED STATES/EURO AREA

1.1 UNITED STATES

The Commerce Department reported that the US Gross Domestic Product (GDP) sped up in Q2 2018, expanding by 4.2% in its final estimate. It is the first time in 4 years that economic growth broke the 4% mark. Growth was powered by strong consumer demand, net export and business investment.

Consumer sentiment in the US for September 2018 was at six month high as American consumers took an increasingly optimistic view of the economy. The University of Michigan consumer sentiment index increased to 100.1 in September from 96.2 the prior month. A vibrant job market and robust economic growth were the primary catalysts for this level of optimism.

Factory activities posted solid growth as IHS Markit reported its final U.S. Manufacturing Purchasing Managers (PMI) Index at 55.6 in September from 54.7 in August. This data indicated a strong improvement in operating conditions across the U.S. manufacturing sector. Performance was driven by sharper rises in output and new orders, though new business from abroad continued to expand at only a marginal pace.

Unemployment rate in September fell to a 50 year low at 3.7% as reported by the Bureau of Labour Statistics. This is the longest streak of hiring on record that has put millions of Americans back to work since the great recession. Employers added 134,000 jobs to payrolls, a record 96th straight month of gains.

The Federal Open Market Committee (FOMC) of the Federal Reserve (Fed) raised the target range for the federal funds rate by 25bps to 2% - 2.25% during its last meeting in September. The policymakers hinted at one more rate hike this year, 3 increases in 2019 and 1 increase in 2020.

Consumer prices rose at a much slower pace in September, mainly due to a sharp slowdown in gas prices and smaller increases in fuel and shelter costs. It fell to 2.3% from 2.7% in August, thereby reinforcing the Federal Reserve's judgment that it can proceed carefully with further increases in short-term interest rates.

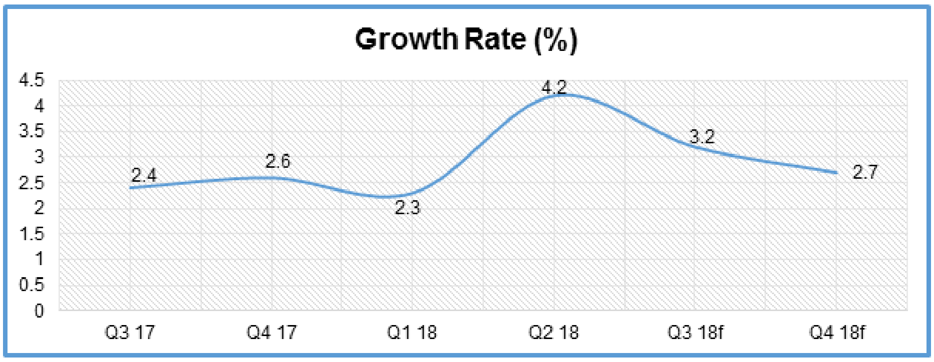
Economic outlook is slightly bullish but will be supported by buoyant activity, tax-cut effects and large federal spending increases

GLOBAL ECONOMY
UNITED STATES/EURO AREA

expected throughout H2 2018. The now full-fledged trade war between China and the U.S. however, is the main downside risk, which could strike a heavy blow to both consumer spending, as well as to business investment and economic momentum amid heightened uncertainty.

The US economy is estimated to have grown by 3.2% in Q3, and the pace of expansion is forecast to decline slightly to 2.7% in Q4 2018.

GDP Growth Rate & Forecast – United States of America



Source: Bloomberg

1.2 EURO AREA

The Eurozone economy advanced 0.4% quarter-on-quarter (q-o-q) in Q2 2018 according to the European Statistics Agency's (Eurostat) final estimate. This is the same rate as was recorded in Q1 2018. The main drivers of growth were fixed investment and household consumption, while net external demand contributed negatively to the expansion

Conditions in the labour market in the common-currency bloc improved in August, according to recently released data by Eurostat. Unemployment rate edged down to 8.1% in August from its prior month figure of 8.2%. It is the lowest rate of unemployment in the past 10 years as the number of unemployed continue its steady decline. The number of unemployed persons fell by 102,000 to 13.2 million.

Data from IHS Markit reported that manufacturing activity in the Eurozone were lower as September figures came in at 53.2 below 54.6 in August. Factory activity have been on a steady decline and this reading points to the slowest expansion rate in 26 month as new orders and backlog of work declined.

Inflation in Eurozone for September was reported at 2.1%, slightly above the 2% recorded in August. The upward drive in prices came majorly from prices of energy and unprocessed food. Annual core inflation, which excludes volatile prices of energy, food, alcohol and tobacco was registered at 0.9 % same as end of Q2 figures.

Economic Sentiment Indicator (ESI) in the Eurozone hit a 15 month low and ninth consecutive decline in September 2018. Economic sentiment index (ESI) came in at 110.9 points, down from 111.6 points in August. Lower confidence in the industrial sector and among consumers chiefly drove the decline in sentiment.

Growth in lending to companies and households in the Eurozone sped up in August, as revealed by data from the European Central Bank. Loans to households in the Euro Area increased by 3.1% in August 2018, higher than 3% seen the previous month. Credit to non-financial corporations expanded 4.2%, higher than the 4% in July. Private sector credit growth including households and non-financial corporations picked up by 3.4%, faster than 3.3% in May. The faster growth in lending to the real economy comes as the ECB prepares the final steps in its gradual withdrawal of "quantitative easing" stimulus to the Eurozone economy.

GLOBAL ECONOMY

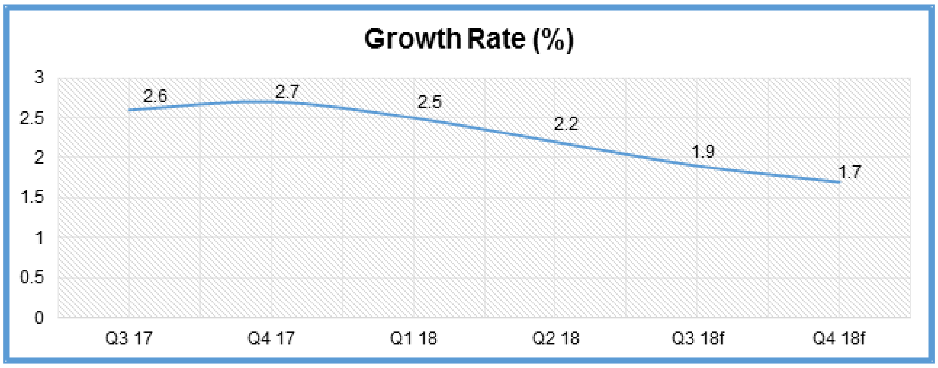
UNITED STATES/EURO AREA (Euro Area)

The European Central Bank (ECB) left its benchmark interest rate unchanged at 0%. The bank confirmed that the monthly pace of the net asset purchases will be reduced to €15 billion from September to December 2018, and will then end.

The economy showed slower but stable growth in the Eurozone in the second quarter, a similar outturn is expected for the third quarter as lower composite PMI readings and waning industrial metrics point to slack in the economy that could be exacerbated by the pullback in global demand and uncertainty over the Eurozone's trade relationship with the United States. In late September, the prospect of a chaotic, no-deal Brexit grew following an informal summit in Austria, in which a number of the UK's proposals were dismissed by the bloc's leaders as unworkable.

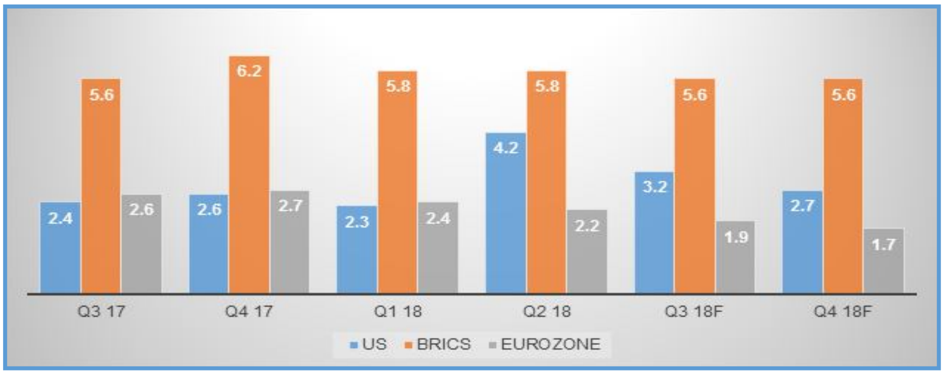
The Eurozone is expected to have grown at a rate of 1.9% in quarter 3 2018.

GDP Growth Rate & Forecast – Eurozone



Source: Bloomberg

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



Source: Bloomberg

1.3 BRICS

Brazil

Recently-released GDP data revealed that the recovery remained weak in the second quarter of 2018. GDP rose a seasonally-adjusted 1% year-on-year in Q2 2018, easing from Q1's 1.2% increase. The weak print was impacted by nationwide truckers strikes in May and June, which led to the first fall in investment in more than a year and the biggest decline in exports since the last quarter of 2014.

The IHS Markit Brazil Manufacturing PMI fell to 50.9 in September 2018 from 51.1 in the August. This is the first contraction in factory activity since March 2017. New orders grew the most in five months, albeit modestly, driven by domestic demand. Export orders fell for the third time in the past five months and at the fastest pace since January 2017.

The Getulio Vargas Foundation's (FGV, Fundacao Getulio Vargas) Business sentiment weakened further to 96.1 at the end Q3 from 100.1 reported at the end of Q2 2018. As a result, the index is now further below the 100-point threshold and businesses expect economic conditions to deteriorate. The fall was driven by a more downbeat outlook on the current economic situation and future economic situation.

Data reported by the Brazilian Institute Geography and Statistics Institute (IBGE) showed that Brazil's unemployment rate fell to 12.1% in the Q3 2018 from 12.7% seen in Q2 2018. Compared with the same period of 2017, the number of unemployed fell by 407,000 from 13.113 million, while employment went up by 1.020 million from 91.061 million.

Brazil inflation rate breached the midpoint of the central bank's target range for the first time in 1-1/2 years in September. It rose to 4.53% year on year, up from 4.19% recorded the prior month. Food and fuel prices as well as air fares accounted for the bulk of the acceleration.

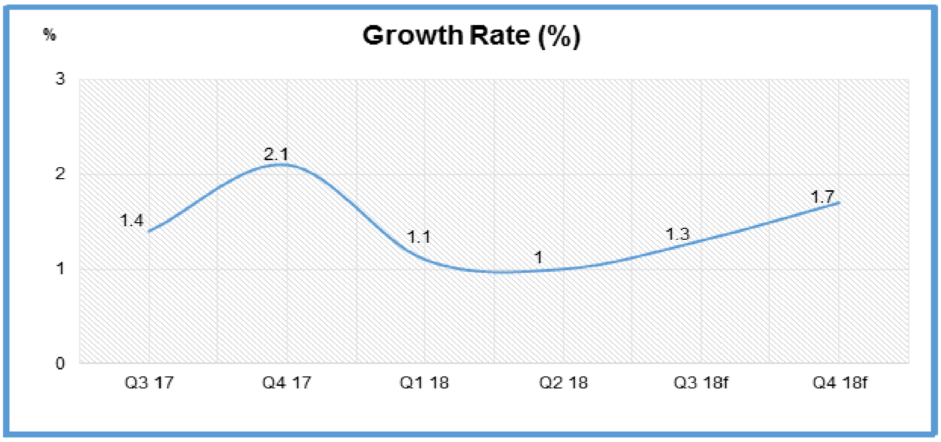
The Monetary Policy Committee of the Brazilian central bank left the country's benchmark interest rate unchanged at a record low of 6.5 per cent in its September meeting. This is despite uncertainty related to next month's presidential election and a weakening of the currency against the dollar.

Trade surplus in Brazil shrank to $4.97 billion in September 2018 from $5.18 billion in September 2017. Imports increased 4.7% mostly due to fuels & lubricants, while exports went up at a slower 3% on the back of a surge in crude oil sales. Among major trading partners, sales expanded 44.4 % to China and 17.9 % to the US, but dipped 0.3 % to the European Union.

Subdued economic data is rolling in for the Brazilian economy as the country's crucial election season is in full swing. Rising inflation partly stemming from a weak real is expected to take a bite out of households' purchasing power and impel the Central Bank to tighten rates, removing support for the economy. Although the continuation of tough economic reforms remains critical for the country's outlook, there remains a degree of uncertainty whether the incoming president will have the ability and willpower to do this.

GDP is expected to rise by 1.3% in Q3 2018 and higher to 1.7% in Q4 2018.

GDP Growth Rate & Forecast – Brazil



Source: Bloomberg

GLOBAL ECONOMY
BRICS

Russia

The Russian economy accelerated in Q2, with headline GDP of 1.9% y-o-y after growth of 1.3% in Q1. The stronger growth rate was mainly driven by gains in hotel, transport and restaurant sectors as the soccer World Cup had a positive impact on the economy. In addition, manufacturing and mining output increased at a faster pace.

Russian manufacturing activity stagnated in September despite an increase in new orders but the level of optimism among manufacturing companies rose to levels last seen in 2013 The IHS Markit Russia Manufacturing Purchasing Managers' Index (PMI) went up further to 50.0 from 48.9 seen in in August, remaining on the no-change 50.0 mark which signals no change in operating conditions across the Russian manufacturing sector and ending a four-month sequence of contraction.

Unemployment rate decreased to 4.5% at the end of Q3 2018 from 5% in Q3 2017. The number of unemployed dropped by 72,000 to 3.4 million in September from 3.5 million in August.

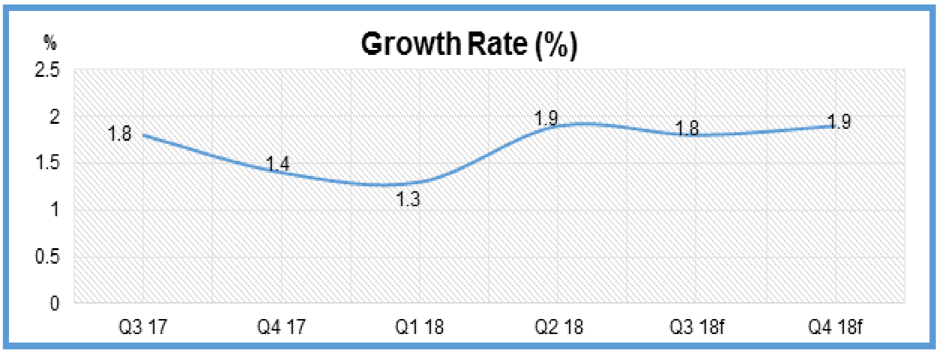
Russian trade surplus expanded to $15.8 billion in August 2018 from $6.6 billion in the same period of the previous year, as imports fell by 3.5% and exports surged 28.7% from a year earlier.

Russia annual consumer inflation in September rose to 3.4% from 3.1% in the prior month. It is the highest rate of inflation since July 2017, driven up by high food prices.

The Bank of Russia raised its key interest rate by 25 basis point to 7.5% in September 2018. This is the first hike since December 2014 as external uncertainties and volatility in financial markets increased inflationary risks.

Threats of additional sanctions from the West have weighed on Russian financial assets and two new bills are currently sitting in the U.S. Congress. However, it is uncertain when or if the bills will be passed as the looming U.S. midterm elections are delaying the timeline. Meanwhile, higher oil prices are continuing to act as a buffer against geopolitical tensions, and Russia and OPEC countries made no change to their production quotas in September. Growth stood at 1.8% in Q3 2018 and is projected to be 1.9% in Q4 2018.

GDP Growth Rate & Forecast – Russia



Source: Bloomberg

India

India recorded robust growth for the third quarter buoyed by household spending, financial, real estate and manufacturing activities. Real GDP growth expanded 8.2% in Q2 2018, higher than the 7.7% reported in Q1 2018. It is the strongest growth rate seen since Q1 2016.

The inflation rate in India rose to 3.77% in September 2018 from 3.69% in August. This was because prices for food and beverages rose at a very slow pace, masking faster increases for fuel and light; housing; pan, tobacco and intoxicants; and clothing and footwear. Inflation appeared to shrug off the effects of a weakening rupee and higher oil prices

The Nikkei India Manufacturing Purchasing Managers' Index strengthened in September to 52.2 from 51.7 in August. Manufacturing growth picked up pace in September supported by firmer gains in new orders, output and employment.

India's September trade deficit hit its lowest level in five months at $13.98 billion, the country's trade ministry revealed.

The Reserve Bank of India increased it benchmark policy rate to 6.5% from 6.25% in Q3 after a similar hike at the end of Q2. The RBI's decision to raise rates for the second time in three months was driven by high inflation and a weak rupee. The Committee reiterated access

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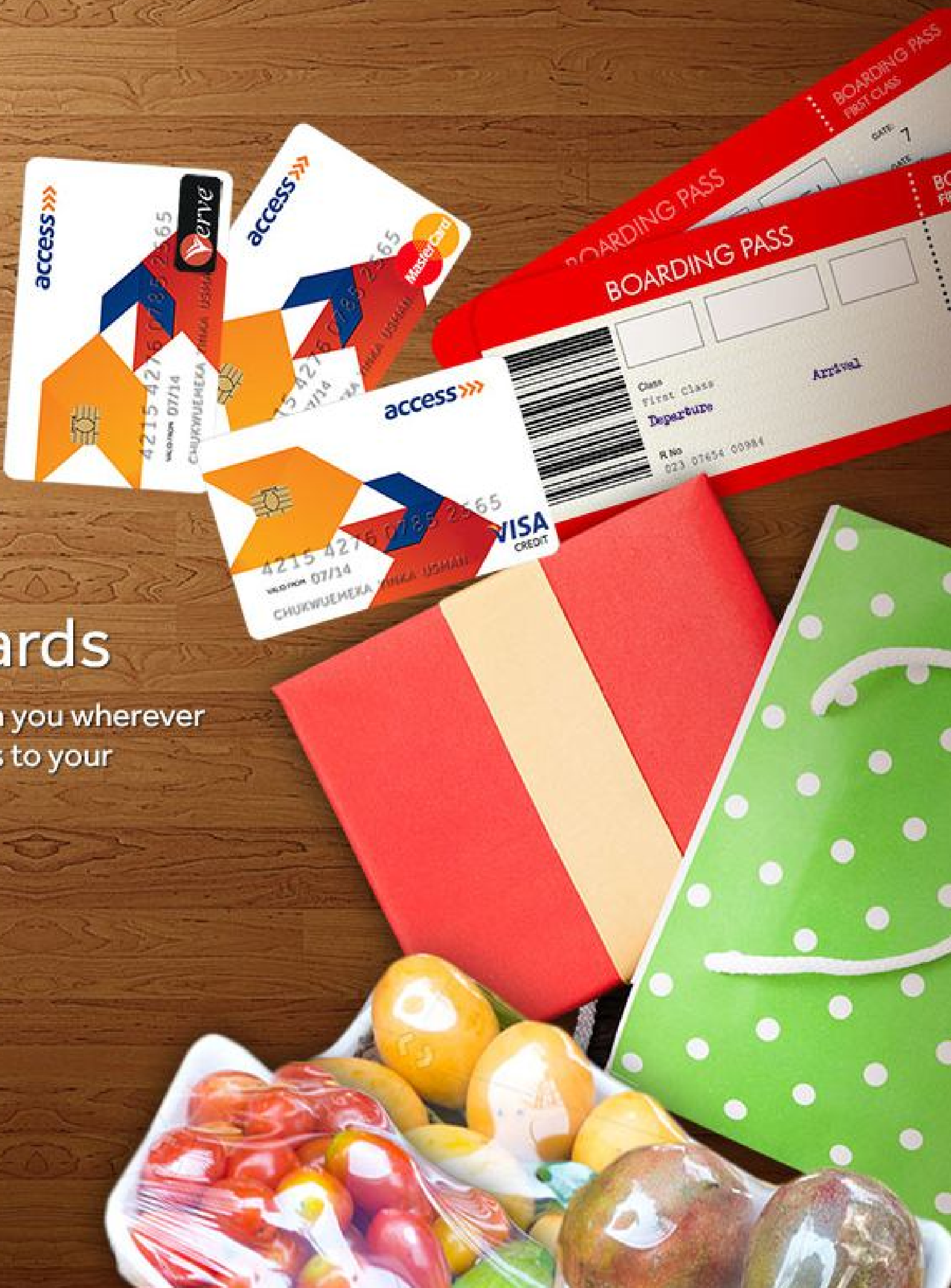

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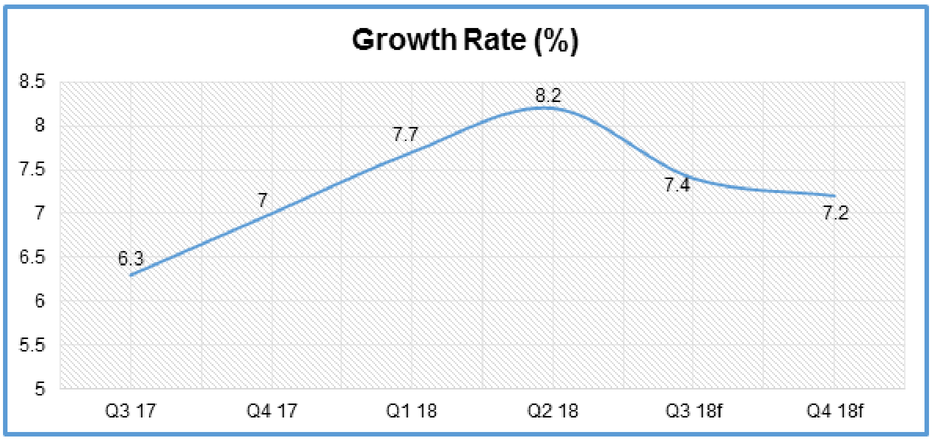
SPEED SERVICE SECURITY

its "neutral" stance to monetary policy, which aims to produce neither a positive nor negative effect on economic growth, but instead guide price levels.

GDP accelerated at the fastest pace in over two years in the second quarter of 2018, which ran from April to June, buoyed by surging private consumption. Going forward, the economic picture looks mixed, as business activity seems to be on the rise while concerns on government's ability to meet its fiscal targets and the weakening rupee continued to threaten growth. The Indian economy is estimated to have grown 7.4% in Q3 2018 and is forecast to expand 7.2% in Q4 2018.

GDP Growth Rate & Forecast – India



Source: Bloomberg.

GLOBAL ECONOMY
BRICS

Economic growth is expected to be dip slightly owing to economic pressures, deficit trade balance despite the rise in the Purchasing Managers Index. The Indian economy is estimated to have grown 7.5% in Q2 2018 and is forecast to expand 7.4% in Q3 2018.

China

China economy growth softened in Q2 2018 amid escalating trade tensions. The Chinese economy advanced 6.5 % year-on-year in Q3 2018, easing from a 6.8 % growth in the prior period. It is the slowest pace of expansion since the Q3 2016 due to intensifying tariff battle with the US and efforts to deleverage debt and financial risks.

China's jobs market performed stably in September with declining unemployment rate and rising job creation according to data released by the National Bureau of Statistics. China unemployment rate witnessed an all time low as the rate tapered to 3.8% in the Q2 2018 from 3.89% in Q1 2018.

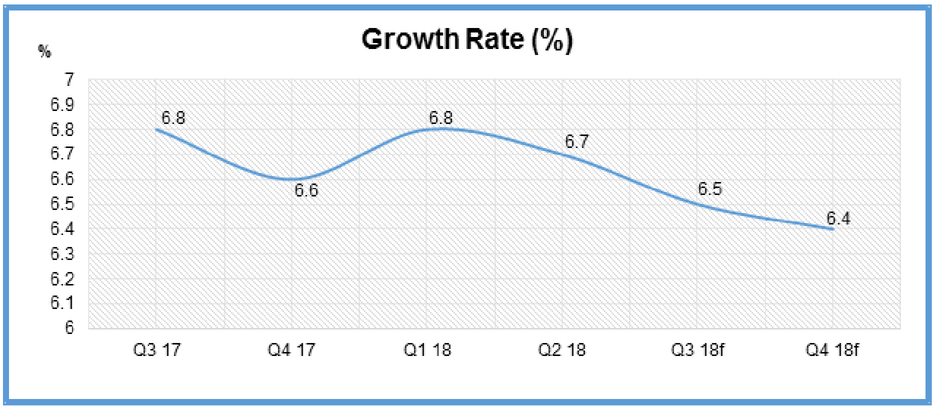
Trade surplus in China expanded to $ 31.69 billion in September 2018 from $27.38 billion in the same period of 2017. It is the biggest trade surplus since the end of Q2 2018 as exports widened to 14.5% year-on-year to $226.5 billion, while imports rose to 14.3% year-on-year to $195 billion. The trade surplus with the US, China largest export market advanced to a new high of $34.13 billion despite the sanctions President Trump has placed on China imports.

In September, annual inflation recorded a seven month high of 2.5% year-on-year from a 2.3% rise in the prior month. This came on the back of a surge in the prices of food and non-food. The inflation rate however remains below the Chinese government target of 3% for 2018.

China's foreign exchange reserves declined in September to a 14 month low as the yuan currency weakened further against the dollar amid mounting trade tension with the United States. Central bank data revealed that reserves dipped $22.69 billion in September to $3.087 trillion, the biggest drop since February, compared with a decline of US$8.23 billion in August.

Economic growth is expected to decelerate. This reflects China's more mature economic cycle and the impact of previous economic reforms, as well as the tit-for-tat trade war with the United States and the cooling housing market. However, a looser fiscal stance and a more accommodative monetary policy should cushion the slowdown. Growth fell to 6.5% in Q3 2018 with a 6.4% forecast in Q4 2018.

GDP Growth Rate & Forecast – China



Source: Bloomberg

South Africa

The South African economy shrank by 0.7% in Q2 2018 thereby nose-diving into recession as a result of its negative growth in the last 2 quarters. This is the weakest growth rate since the second quarter of 2016, mainly due to a contraction in agriculture, transport and trade sectors.

The ABSA Manufacturing PMI for South Africa plunged to 43.2 in September 2018 from 43.4 in the previous month. The reading pointed to the lowest contraction since July 2017. There was a deterioration in the factory activity for the second consecutive month as domestic demand deteriorated and job creation dropped to its lowest level in more than four years while export orders rose.

The South African inflation rate was retained at 4.9% in September, unchanged from the prior month. This was consistent with the rise in prices of food and non-alcoholic beverages with a hitch in transport prices.

South Africa trade balance climbed to ZAR 8.79 billion surplus in August 2018 from ZAR 5.29 billion in the preceding month. The surplus was attributable to increase in export of vehicles and transport equipment (32%), Chemicals (12%) and mineral products (10%). Exports soared 9.4% to ZAR 116.88 billion while imports dropped by 3.6% month-on-month to settle at 112.15 billion in July 2018.

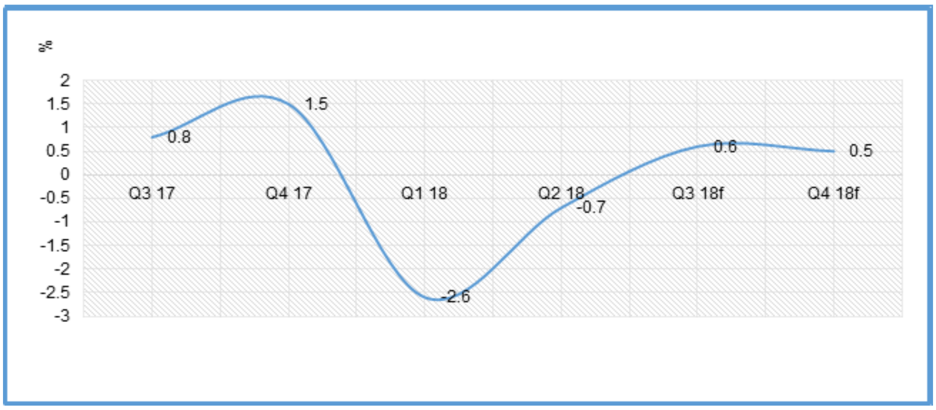
GLOBAL ECONOMY
BRICS

The Monetary Policy rates of the South Africa Reserve remained unchanged at 6.5% in September, same rate recorded at previous meeting in June. The rate was last revised downwards in March.

South Africa's unemployment rate came in at 27.2% in the second quarter of 2018, higher than the 26.7% reported in the first quarter of 2018. The number of unemployed increased by 102,000 to 6.08million and the number of employed declined by 90,000 to 16.29 million.

The economy is estimated to have grown at 0.6% in Q3 2018 and projected to be 0.5% in Q4 2018.

GDP Growth Rate & Forecast – South Africa



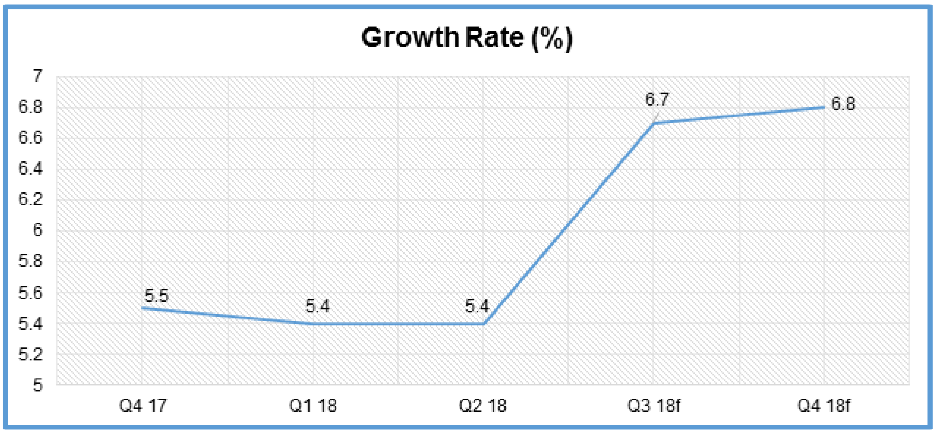
Source: Bloomberg

2.0 AFRICA

2.1 GHANA

The Ghanaian economy grew by 5.4% in Q2 2018 from 6.8% in Q1 2018. Inflation rate stood at 9.8% in September 2018 from 9.9% in the previous month while the MPR remained at 17%. The Ghanaian economy is projected to grow by 6.8% in Q4 2018 because of improved oil & gas production.

GDP Growth Rate & Forecast – Ghana



Source: Bloomberg

2.2 SIERRA LEONE

Sierra Leone recorded a slower growth rate of 5.7% in 2017 from 6.3% in 2016. The interest rate was set at 16.50% in September 2018, unchanged from the previous period. Inflation stood at 1.40% in August 2018, down from 2% in July 2018.

3.0

THE NIGERIAN ECONOMY

THE NIGERIAN ECONOMY

Below is a snapshot of the domestic economy in Q3 2018.

Economic growth slowed as the economy grew by 1.5% growth in Q2'18 from 1.95% in Q1'18	Credit to Private Sector increased	Interbank Exchange rate converges with I & E rate
Nigerian equities sustained a bearish run	External reserves fell to a 6-month low of $44.31 billion	Inflation increased in September to 11.28%
Improving manufacturing sector	Benchmark interest rate maintained at 14%	Oil prices jumped to $80.41, a level not seen in over 3 years

3.1 GDP GROWTH

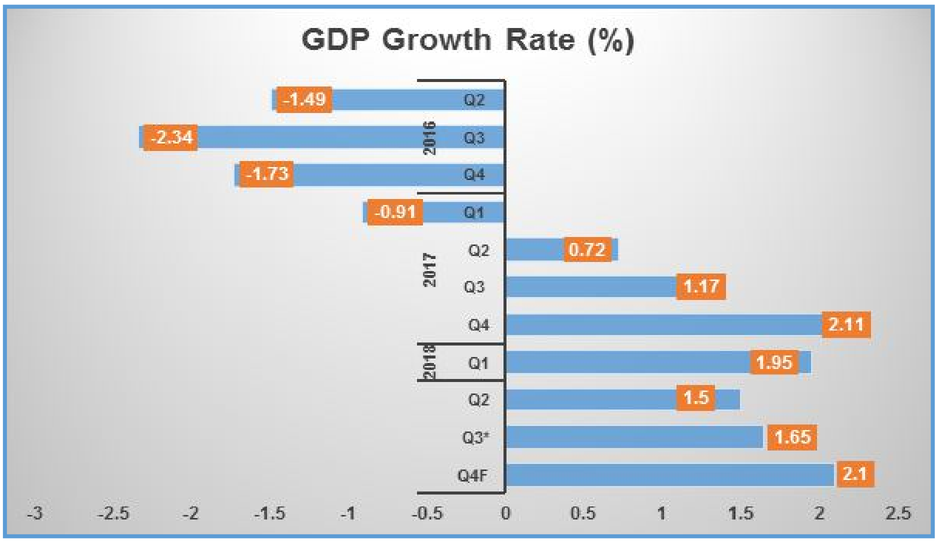
There was a slowdown in the Nigerian economy in Q2'18, with growth edging down after hitting a two-year high in Q4'17. Real gross domestic product (GDP) expanded by 1.5% year-on-year in Q2 2018 from 1.95% in Q1 2018, a decline of 0.23%. The latest reading is the second consecutive slower GDP growth. The weaker expansion may be attributed to the decline recorded in the oil sector even though improvement in non-oil sector notably services sector cushioned the drag in the oil sector by posting the strongest positive growth since 2016.

The oil sector reported a negative growth of 3.95% year-on-year in Q2'18 compared against 9.61% in Q1. The oil sector weakness stemmed from lower oil production at 1.8 million barrels per day (mbpd) from 2 mbpd in Q1 2018.

On the other hand, the non-oil sector which contributed 91.45% of real GDP in Q2'18, higher than 90.39% in Q1'18 grew by 2.05% in Q2'18 from 0.76% in Q1. As at Q2 2017, the non-oil sector expanded by 0.45%. The sector's growth was majorly driven by expansion in Information and Communication sector, Construction and Agriculture sector amongst others.

The International Monetary Fund (IMF) retained forecasts for Nigeria's Gross Domestic Product (GDP) of 2.1%, but upgraded its forecast for 2019 to 2.3% citing improved crude oil prices.

GDP Growth Rate – Nigeria



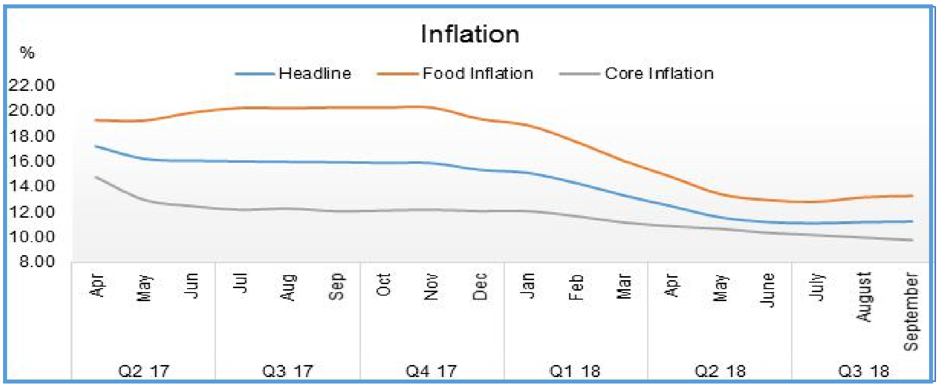
Source: NBS, IMF

3.2 INFLATION

Inflation rate edged upwards to 11.28% year on year (y-o-y) in September 2018 from 11.23% in the prior month. This reading was the second increase in inflation after eighteen consecutive months of disinflation. The 5 basis points increase in headline inflation was attributed to uptick in food prices, particularly for bread and cereals, potatoes and yam. As at June, headline inflation was 11.23%.

Core inflation, which excludes farm produce trended lower by 0.2 basis points (bps) to 9.8% y-o-y in September. The highest price increases were seen in fuel and lubricants for personal transport, dental services, tobacco, carpets and other floor coverings, furniture and furnishing, hospital services.

Inflation Year-on-Year

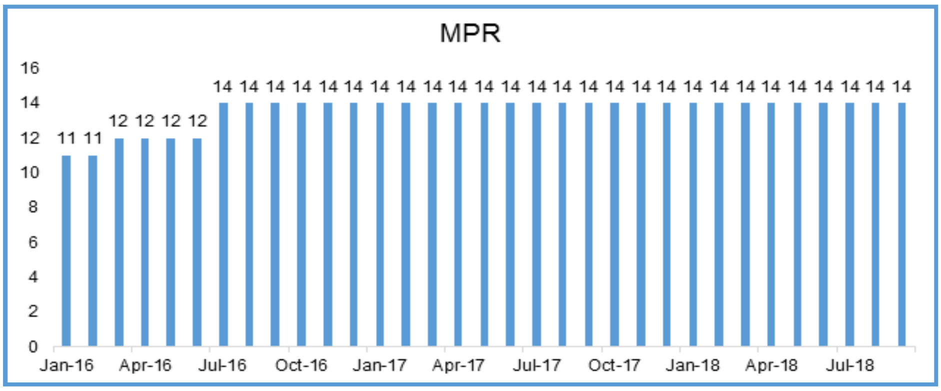


Source: NBS

3.3 MONETARY POLICY

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) in its last meeting held on the 24th and 25th of September 2018 left all rates unchanged. The monetary policy rate remained at 14.0%. The asymmetric corridor was plus 200 and minus 500 basis points around the monetary policy rate. The Committee also left the liquidity ratio unchanged at 30.0% and the cash reserve ratio stable at 22.5%. The decision to retain the rate was based on factors such as a forecast of high liquidity injection from election related spending and increase in FAAC distributions which is rising in tandem with increase in oil receipts.

Trends in MPR



Source: NBS & CBN

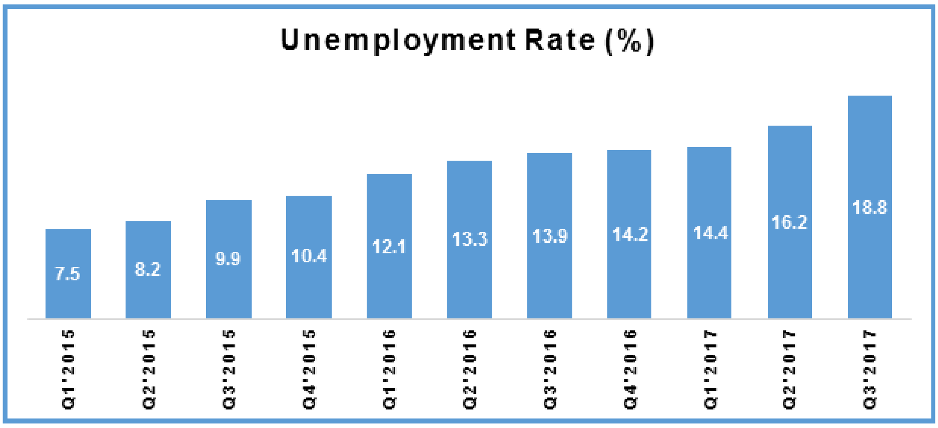
3.4 UNEMPLOYMENT

Most available information from the National Bureau of Statistics (NBS) show that unemployment rate was 18.8% as at Q3 2017 from 16.2% in Q2 of the same year. The NBS, as also reported in our Q2 2018 economic quarterly report noted that the number of people within the labour force who were unemployed increased to 15.9 million in the third quarter from 13.6 million in Q2 2017, with more than two million additional people adding to the unemployed within the period.

Similarly, the number of underemployed increased to 18.0 million in Q3 2017 from 17.7 million in Q2 2017.

The increasing unemployment and underemployment rates could be attributed to the nation's fragile economic state despite the exit from recession.

Trends in MPR



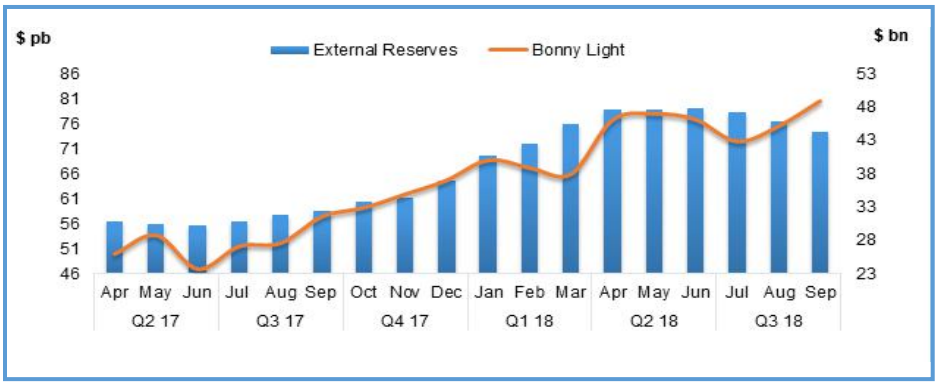
Source: NBS

3.5 EXTERNAL RESERVES

The nation's foreign exchange buffer shed $3.48billion or 7.28% in the Q3 2018 to $44.31 billion as at September 28, 2018, the lowest external reserves level in the last six months, from $47.79 billion as at June 29, 2018.

On a net basis, the external reserve continued to decline due to outflow of foreign portfolio investments driven by rise in US interest rates despite oil prices been relatively high at $75.68 per barrel on average.

External Reserves and Crude Oil Price (Bonny Light)



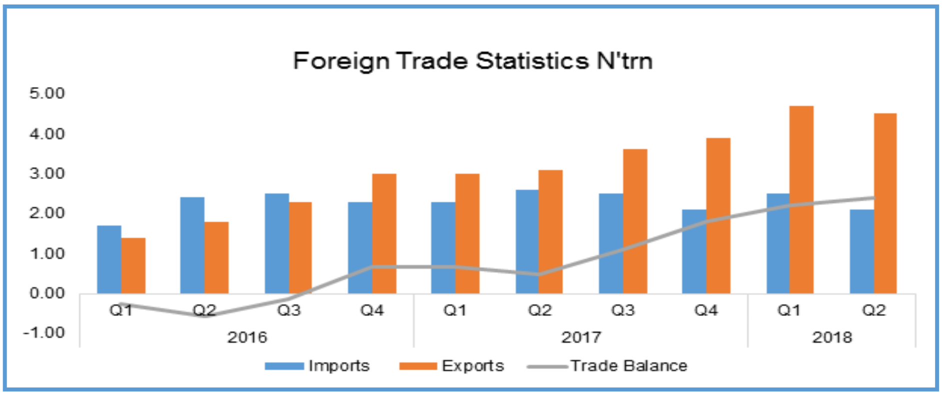
Source: CBN

3.6 EXTERNAL TRADE

Nigeria's external trade for Q2'18 stood at N6.57 trillion from N7.21 trillion in Q1. This represents a 8.89% or N64 billion quarter-on-quarter (q-o-q) contraction. According to the National Bureau of Statistics (NBS), the lower trade position was due to a decline in both imports and exports. However, the balance of trade remained positive edging upwards by 8.36% q-o-q to N2.36 trillion in June 2018 from N2.17 trillion in the previous period. Total exports value shrank by 4.9% q-o-q but rose 43.85% y-o-y to N4.46 trillion, total imports value retreated by 16.3% q-o-q and 19.9% y-o-y to N2.11 trillion.

India topped the list of the country's major export trade partners with about 16.19% contribution to total exports. On the other hand, China, remained the major import trading partner to Nigeria with an increased share of 25.28% of total imports from 21.1% in Q1'18.

Foreign Trade Summary



Source: CBN & NBS

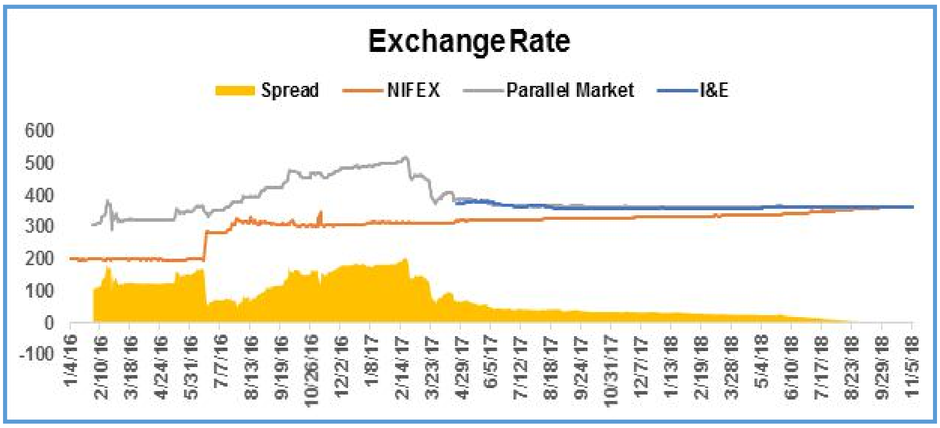
3.7 EXCHANGE RATE

Naira depreciated slightly in the third quarter of 2018 at the official markets due to the heightened capital flights and dipping external reserves. The local unit ended the last trading day of the quarter at N361/$ in the Nigerian Inter-bank Foreign Exchange (NIFEX) fixing market, a depreciation of N16.06 from Q2 2018 at N344.94/$.

At the Investors & Exporters (I&E) window, the local currency pared N2.6 to N363.92/$ on September 28th compared to N361.32/$ as at June 29th. The depreciation pressures witnessed in this market window despite the apex bank's foreign currency liquidity injection was because of pressures from external reserves.

At the parallel market, the naira strengthened slightly by N1 to N361/US$ at end September helped by CBN Intervention at other market segments.

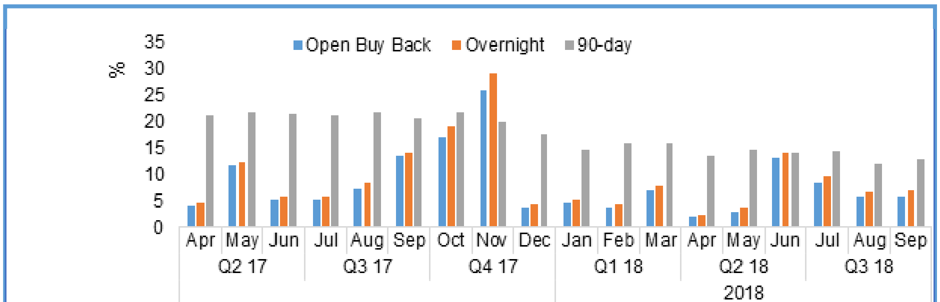
Foreign Exchange Rate: CBN Official, I&E and Parallel



Source: CBN & FMDQ

3.8 MONEY MARKET

Cost of borrowing trended downwards in Q3 2018. Short-dated placements such as Open Buy Back (OBB) and Over Night (O/N) rates settled at 6% and 7.17% at end September 2018 from 13.17% and 14.08% respectively as at end June 2018. In the same vein, longer dated placements also retreated. The Call, 30-day and 90-day NIBOR closed lower at 6.88%, 13.09% and 13.47% from 14.70%, 14.46% and 15.00% the prior quarter.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
	Q2 17			Q3 17			Q4 17			Q1 18			Q2 18			Q3 18		
										2018								
Open Buy Back	4	11.7	5.33	5.17	7.33	13.7	17.2	25.8	3.83	4.83	3.75	7.17	1.92	2.83	13.2	8.58	6.00	6.00
Overnight	4.75	12.3	5.75	5.75	8.42	14.3	19.3	29.1	4.5	5.25	4.50	8.08	2.42	3.67	14.1	9.58	6.83	7.17
90-day	21.3	21.8	21.6	21.1	21.8	20.7	21.8	20.1	17.7	14.7	15.9	15.9	13.5	14.7	14.0	14.4	11.9	13.0

Source: FMDQ

3.9 STOCK MARKET

The Nigerian Stock Exchange (NSE) begun Q3 2018 on a positive note but swung into bearish territory at end of the quarter. The sustained losing streak in the bourse was against the backdrop of continued selling pressure in bellwether equities as well as depreciation in share prices of blue-chip counters. The NSE All-Share Index ended the third quarter of 2018 plummeting by 14.4% to 32,766.37 index points from 38,278.55 points in June. Similarly, aggregate market capitalisation of quoted equities declined by 13.77% to close at N11.96 trillion relative to N13.87 trillion recorded in June. Performance gauges in the market were largely weighted down by significant selloffs by foreign investors in search of higher risk-adjusted returns and weak macro environment evidenced by slower GDP growth in Q2 and rising inflation.

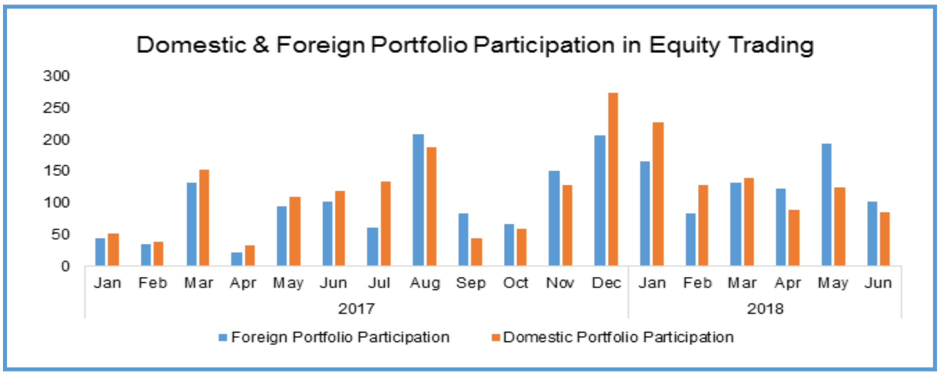
Nigerian Stock Exchange All Share Index and Market Capitalization

Source: NSE

3.10 PORTFOLIO INVESTMENT – NSE

The Nigerian Stock Exchange (NSE) report titled "Domestic & Foreign Portfolio Investment" for the month of August 2018 reported that the total transactions at the nation's bourse dropped during the month by 8.37% to N133.84 billion from N146.07 billion recorded in June 2018. Total foreign transactions outperformed domestic transactions by 6.06%. The total foreign inflow increased to N36.66 billion in August 2018 from N19.83 billion in the prior month. Similarly, foreign outflows climbed by 109.97% to N34.31 billon from N16.34 billion.

Domestic & Foreign Portfolio Participation in Equity Trading

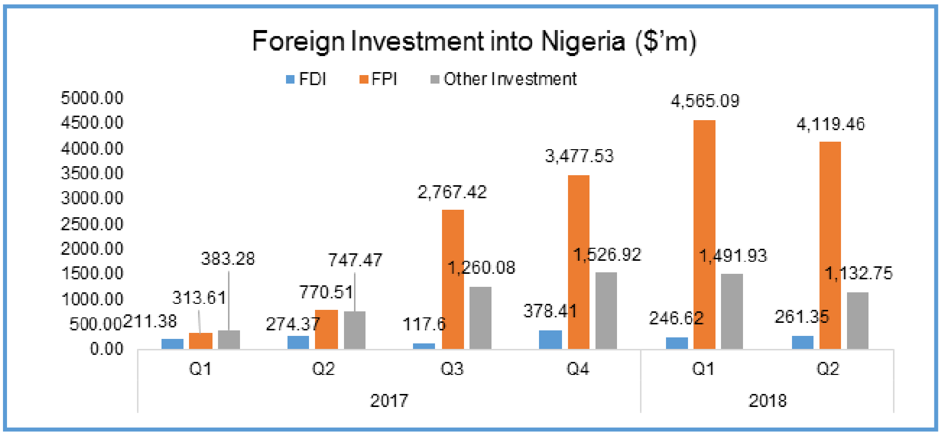


Source: NSE

3.11 CAPITAL IMPORTATION

The total value of capital importation into Nigeria settled at $5.5billion in Q2 2018, depicting a 12.53% decrease from the previous quarter. This slowdown emanated from the decline in portfolio investment (24.07%) and other investment (9.76%). Portfolio investments remained the largest contributor to capital importation in Nigeria with about 74.7% of total capital importation, followed by other investments accounting for 20.5% and foreign direct investment with 4.7% of total capital imported.

Foreign Investment into Nigeria ($'m)

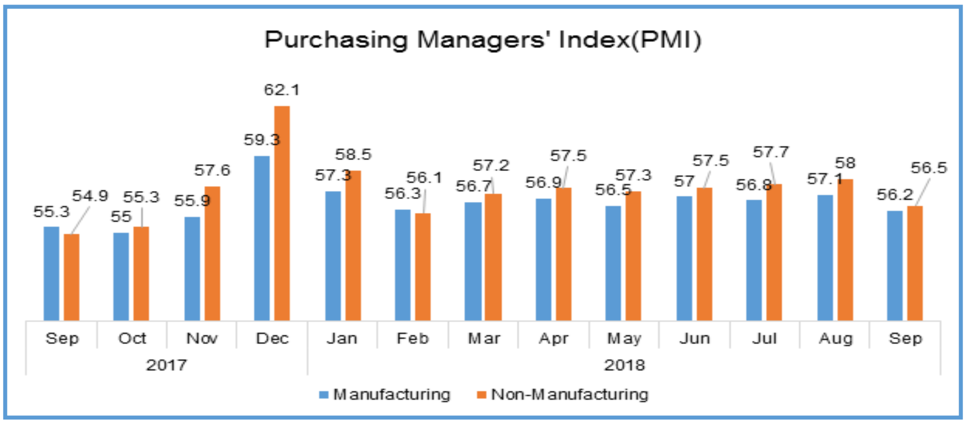


Source: NBS

3.12 PURCHASING MANAGERS' INDEX (PMI)

The Manufacturing PMI for September settled at 56.2 index points from 57.1 index points in August, a slowed expansion in the manufacturing sector given the 0.8 index points decline but above the threshold of 50 which separates expansion from contraction. From the total of the 14 subsectors covered, 10 subsectors grew with electrical equipment, printing & related support activities, transportation equipment, non-metallic mineral products & chemical & pharmaceutical products being the top on the list.

Similarly, the composite PMI for the nonmanufacturing sector stood at 56.5 points in September 2018 from 58 points in the previous month, indicating expansion in the nonmanufacturing PMI for the seventeenth consecutive month. The index grew at a slower rate when compared to that in August 2018



3.13 CREDIT RATINGS

Moody's, a global rating agency downgraded the Nigeria government to B2 stable in June 2018. S & P affirmed its B long-term sovereign credit rating for Nigeria in March 2018 after considering the slow fiscal consolidation, growth and balance sheet. Fitch, another prominent rating agency assigned Nigeria's long term foreign currency Issuer Default Rating (IDR) at a B+ with a negative outlook. The ratings to the country reflects Nigeria's position as Africa's largest economy and most populous country, its net external creditor position and its well-developed domestic debt market, low levels of domestic revenue mobilisation and GDP per capita, and low ranking on governance and business environment indicators.

3.14 SOCIO-ECONOMIC LANDSCAPE

The socio-political scene witnessed several developments, notably; In July, The International Monetary Fund (IMF) has raised its forecast for Nigeria's growth rate in 2019 to 2.3% from its earlier projection of 1.9%. In its latest World Economic Outlook (WEO) Update, July 2018 titled, 'Less Even Expansion, and Rising Trade Tensions', the Fund said that the upgraded forecast, "reflects improved prospects for Nigeria's economy" and an increase in commodity prices.

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

In August, the Vice President, announced a new initiative by the Federal Government to provide five percent credit facility ranging from N2 million to N10 million to Micro, Small and Medium Enterprises (MSMEs) in the country without collateral. In addition, he stated that the government is also exploring an initiative to allow a special window of 90 days for MSMEs, who have not registered their businesses to do so at a highly subsidized price under the aegis of the Corporate Affairs Commission (CAC).

3.15 FINANCIAL SECTOR DEVELOPMENTS

Among others, the following were some of the developments in the financial sector in the third quarter of 2018.

The apex bank disclosed that the 2020 targets set out in the National Financial Inclusion Strategy (NFIS) of 2012 are unlikely to be met. This was contained in an "Exposure Draft of the National Financial Inclusion Strategy Refresh," that was posted on its website. The original NFIS document outlined two financial inclusion targets for the year 2020, namely: an overall financial inclusion rate of 80% of the adult population and a formal financial inclusion rate of 70% of the adult population.

CBN commences auction of Chinese Yuan in July, signaling the consummation of the Bilateral Currency Swap Agreement (BCSA) it signed with the People's Bank of China (PBoC) on April 27. The apex bank disclosed that the sales will be through a combination of spot and short tenored forwards. It added that the exercise, which shall be Special Secondary Market Intervention Sales (SMIS) retail, would be dedicated to the payment of Renminbi (Yuan) denominated Letters of Credit (L/C) for raw materials and machinery and agriculture.

THE NIGERIAN ECONOMY

The Bankers Committee of the Central Bank of Nigeria launched a new initiative designed to give Small and Medium Enterprises (SMEs) access to loans, funds and grants to expand their business. Christened "Funding Nigeria Small and Medium-Scale Enterprises", the initiative is part of the government`s economic diversification effort towards increased SMEs' easy access to intervention funds, and aims at growing small and medium-scale businesses for effective contribution to the Nigerian economy.

The Central Bank of Nigeria revised the clearing system rules for Deposit Money Banks. This was in furtherance of its mandate for the development of electronic payments system in the country. According to the revised rules, which took effect from September 1, 2018, electronic payment instruments will be presented to the clearing system in the next applicable session if instruction is received from customers less than two hours before closure of session available for the financial instrument, unless the relevant service agreement dictates otherwise. It further stated that eligible financial instruments for clearing purposes will include: "Paper-based payment instruments such as cheques, managers cheques, drafts, dividend/interest warrants, debit/credit notes, bankers payments and electronic payment instruments i.e. Automated Clearing House (ACH) instruments that are approved for clearing/settlement in the Clearing System as well as any other instrument that may be approved by the CBN. Regarding sanctions for flouting the Nigerian Bankers Clearing System (NBCS) rules, the apex bank said: "Transmission of data that is not in agreement with the images will attract a sanction of N1, 000 per item; Banks charging beneficiaries for Inward ACH credits except as prescribed by the CBN attracts 200 % of the charge/fee subject to a minimum of N5, 000 to be charged per item against the bank; Delayed presentation of customers ACH instruments on the clearing system attracts a 10% of ACH item with a cap of N10,000 per payment instrument; A bank refusing to pay its own instrument drawn on itself (Manager's Cheque/Draft) other than in cases of forgery or theft will pay 10% flat charge of face value or N10,000 flat charge per cheque, whichever is higher. In addition, paying bank shall pay full instrument value to presenting bank.

The CBN published a framework (Differentiated CRR) to apply a more favourable cash reserve ratio to banks that lend to strategic sectors of the economy. It has also alluded to the purchase of commercial paper from large corporates, in order to boost access to financing.

OUTLOOK FOR Q4 2018

Outlook for Q4 2018 and Beyond

- Increasing oil prices recorded in Q3 2018 will likely continue into Q4. This uptick in prices will stem from sanctions on Iran by the US and OPEC willingness to keep supply unchanged, etc. The advent of the winter season will also lead to increase energy demand, which will keep oil prices elevated.
- The normalization of monetary policy in the United States and other advanced economies is expected to continue. This action will likely put pressure on investment inflows into the Nigerian economy.
- Capital outflows from the economy, in conjunction with high demand for forex might likely foster continuous decline in the nation's FX reserves.
- Nevertheless, the naira is expected to remain stable in most markets as the CBN continues its intervention in the forex market. At more than $44 billion in external reserves, the country still has about 10 months of import cover.
- Continuous enhancements and intervention schemes in non-oil sectors like agriculture, manufacturing etc. may foster better growth metrics.
- Inflation is anticipated to continue its upward trend entering the 12% range due to food supply pressures occasioned by farmer-herdsmen clashes in the food basket states of the country.

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