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ACCESS
ECONOMIC QUARTERLY
Q3 2016

SPEED SERVICE SECURITY

IN THIS EDITION

ACCESS ECONOMIC QUARTERLY
Q3 2016

CONTENT DEVELOPMENT

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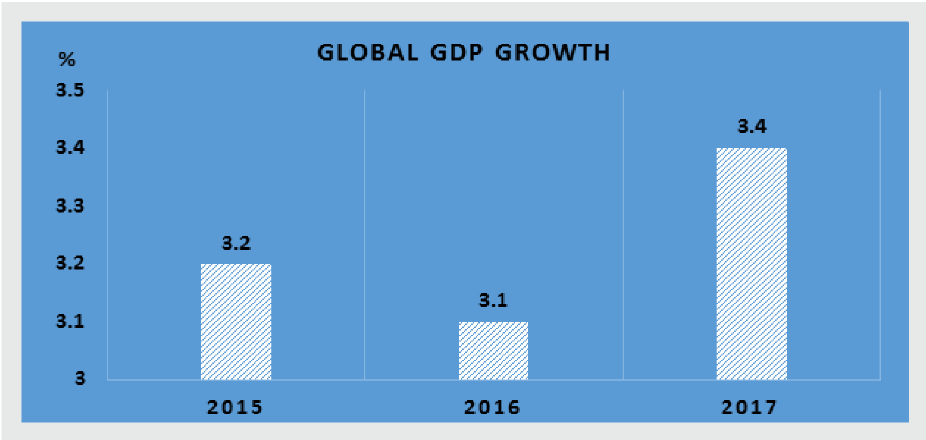
1.0

GLOBAL ECONOMY

GLOBAL ECONOMY

Global growth remained tepid in the third quarter of 2016. In its October 2016 World Economic Outlook, the IMF forecast global growth at 3.1% this year and 3.4% in 2017, the same as it predicted in July, shortly after Britain's vote to exit the European Union.



Source: IMF

A major factor underpinning the forecasts is the decline in the level of international trade across the world. The global value of trade in 2016 is expected to be some 12% lower than in 2014. The IMF attributes much of this decline to a fall in the level of international investment, but it also notes that a weakening in the drive toward trade liberalisation and an increasingly protectionist political environment have played a part.

Across advanced economies, growth in the third quarter of 2016 has been slower than anticipated, and the outlook is still mixed. Headwinds in the United States from declining inventory investment were offset somewhat by strong job-creation numbers. In the Eurozone, the re-emergence of stress in some parts of the banking sector and the Brexit vote increased uncertainty. In Japan, downside risks have intensified in the form of a stronger yen, deflationary risks and contracting industrial production, triggering accommodative monetary and fiscal policies.

Among emerging market economies, activity remains varied. GDP growth stabilised in China in the second quarter, on the back of strong stimulus. Manufacturing activity was weak in August due to adverse weather and subdued export demand, although smaller firms recorded an uptick in new orders. Recessionary conditions are gradually diminishing in Brazil and Russia, but the near-term outlook is still fragile due to policy uncertainties and soft commodity prices.

The absence of a recovery has led major central banks to continue to adopt very accommodative monetary policy, with some of them exploring new tools in order to increase the effectiveness of policy. A postponement of the increase in the federal funds rate in the US reflects the fact that policy makers are still uncertain that the recovery is robust enough to continue the process of monetary policy normalization.

Oil prices received a boost from OPEC's announcement to cut production. In principle, the agreement is to cut OPEC production to 32.5-33 million barrels per day (mb/d) compared to 33.5 mb/d produced in August, although the distribution of the cuts has not yet been finalized. While many OPEC-countries have called for production cuts for a long time, this would be the first coordinated cut since 2008 at the time of the financial crisis.

GLOBAL ECONOMY
UNITED STATES/EURO AREA

1.1 UNITED STATES

The US economy sent mixed signals in the third quarter of the year.

U.S. gross domestic product increased 1.4% in the second quarter of 2016, according to the "third" estimate from the Department of Commerce, following a revised increase of just 0.8% in the first quarter. Most of the improvement in the headline number came from a +0.24% upward revision in commercial fixed investment.

The Consumer Confidence Index hit 104.1 in September, up from 101.8 in August and its highest level since the recession. Much of the gain was in consumers' perception of current conditions, which rose to a cycle high. Labour market components were also positive with the jobs plentiful index rising to its highest level since July 2007 and the jobs hard to get index falling during the month, widening the gap between the two series.

Following a surge in July, new home sales fell 7.6% to an annual rate of 609,000 units in August, giving back more than half of the previous months' jump. Despite the weakness, the upward trend in sales activity remains firmly in place, with the three-month moving average rising 2.4% in August.

Retail sales dipped by 0.3% in August following a revised 0.1% uptick in July amid weak purchases of automobiles and a range of other goods. Excluding a drop in auto sales, retail sales edged down by 0.1% in August after falling by 0.4% in July.

Non farm payrolls rose 156,000, down from a gain of 167,000 jobs in August, while the unemployment rate ticked up to 5.0% from 4.9% as more Americans rejoined the labour force. Year-to-date, employment gains averaged 178,000 per month, down from 228,000 in 2015 and 251,000 in 2014.

CPI inflation rose 1.1% in August after advancing 0.8% annually in July as healthcare costs recorded their biggest increase in nearly 33 years. Consumer prices, excluding food and energy costs, increased at annualized rate of 2.3% in August, above prior month's reading of 2.2%.

U.S. manufacturing rebounded in September after contracting in August. New orders and production at factories increased, although employment fell — a sign that manufacturers have yet to fully stabilize after a difficult year. The Institute for Supply Management says its manufacturing index rose to 51.5 in September from 49.4 in August. Any reading above 50 signals expansion.

The Federal Open Market Committee (FOMC) left the target range for the federal funds rate unchanged at 0.25% - 0.50% at its September meeting. The FOMC judges that while the case for a rate hike strengthened, it will wait for further evidence of continued progress for the time being.

The U.S. economy is expected to strengthen in Q4'16, on the back of consumer spending and positive contribution from inventories. Employment growth remains robust, labour force participation is recovering, and wage growth has picked up.

1.2 EURO AREA

Eurozone second quarter GDP growth came in at 1.6% y-o-y, according to the European Union statistics agency (Eurostat). This confirmed an initial estimate published in July. The figure shows that the pace of growth weakened from the first three months of the year, when the currency bloc's economy expanded by 1.7%.

Eurozone inflation accelerated to a near-two-year high of 0.4% from 0.2% in August. The main contributors to September's reading were higher prices for services and for food, alcohol and tobacco. However, core inflation - which according to the ECB's definition excludes the most volatile components of unprocessed food and energy - was stable at 0.8%. The headline inflation rate remains far from the ECB's target of just below 2%, although its increase is good news for the central bank which is seeking to prevent a deflationary spiral.

Conditions in the labour market remained broadly unchanged in August, according to recently released data by Eurostat. The number of unemployed persons rose by 8,000, which contrasted July's fall of 31,000 job seekers. Nevertheless, the unemployment rate in August was steady at July's 10.1%, which represents the lowest rate since July 2011.

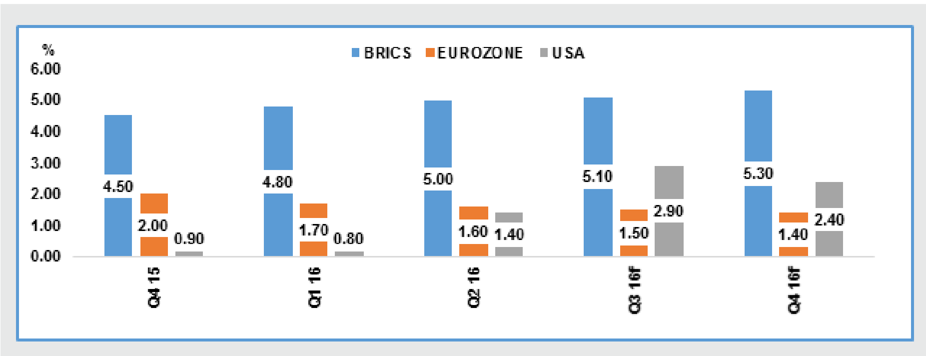
GLOBAL ECONOMY
UNITED STATES/EURO AREA (Euro Area)

IHS Markit's purchasing managers' index for the Eurozone, a broad gauge of economic activity encompassing the manufacturing and services sectors, edged down to a 20-month low of 52.6 points in September from 52.9 the previous month. The average index reading during the third quarter as a whole was at 52.9, the weakest since the final quarter of 2014. September's downturn reflected weaker activity in the services sector, while conditions in the manufacturing sector improved.

Eurozone consumer confidence edged up in September, reversing the decline in previous three months. The flash consumer confidence index edged up by 0.3 points to -8.2 from -8.5 in August.
Retail sales, one barometer for consumer confidence, fell 0.1% in August while July's increase was revised down to 0.3% from the original 1.1%.

At the conclusion of the September meeting of its Governing Council, the European Central Bank (ECB) decided to leave monetary policy unchanged. The interest rate on the ECB's main refinancing operations was retained at 0%, while the rates on the marginal lending facility and the deposit facility remained at 0.25% and -0.40%, respectively. The Governing Council reiterated that the pace of monthly asset purchases will remain at €80 billion, and will continue at least until March 2017, with any extension to the program contingent on whether inflation is evolving as expected toward the ECB's 2.0% target. As of September, the ECB has spent €1 trillion on government bonds in an attempt to revive growth and inflation.

So far, the Eurozone showed minimal evidence of a severe adverse reaction to the UK referendum in June. Low oil prices and supportive monetary policy provide a buffer for consumption. However, confidence will be undermined by uncertainty surrounding elections in France and Germany alongside ongoing political unrest in Italy and Spain.



Source: Bloomberg.

1.3 BRICS

The BRICS–those once hot emerging markets including Brazil, Russia, India, China and South Africa–remain beleaguered. 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. Meanwhile, South Africa also continues to struggle with structural and political weaknesses.

Brazil

Brazil's economy continued its descent in the second quarter, contracting by 3.8% y-o-y. This was slightly better than a decline of 5.4% recorded in the first quarter. This is the sixth straight quarterly contraction.

Brazilian retail sales came below expectations today, falling 5.3% y-o-y in August, compared with June's upward revised figure of -4.8% y-o-y.

The number of Brazilians without jobs climbed to a record 12 million during the June-August rolling quarter. That total translates into an unemployment rate of 11.8% in the three months through August, up from 11.2% from the previous three months and 8.7% in the same period last year.

Rising unemployment however didn't prevent consumer confidence from rebounding in recent months, mostly due to a drop in inflation. The consumer confidence index published by the Getulio Vargas Foundation (FGV, Fundaçao Getúlio Vargas) rose to 80.6 points in September from August's 79.3 points. The improvement was driven by consumers' relatively less pessimistic views regarding the future economic situation compared to the previous month.

Business sentiment also improved in September, according to the Getulio Vargas Foundation's (FGV, Fundaçao Getúlio Vargas) business confidence indicator. The index rose to 88.2 points from August's 86.1 points. This was the highest reading since July 2014. Despite the rise, the index remains below the 100-point threshold that signals that businesses are more pessimistic than optimistic. Brazil's consumer inflation rose at its slowest pace in more than two years as food prices dropped. Inflation rate in the 12 months through

September slowed to 8.48% after an increase of 8.97% in the previous month. The average for core inflation rate fell to 7.71% in the 12 months through September, from 8.08% in August.

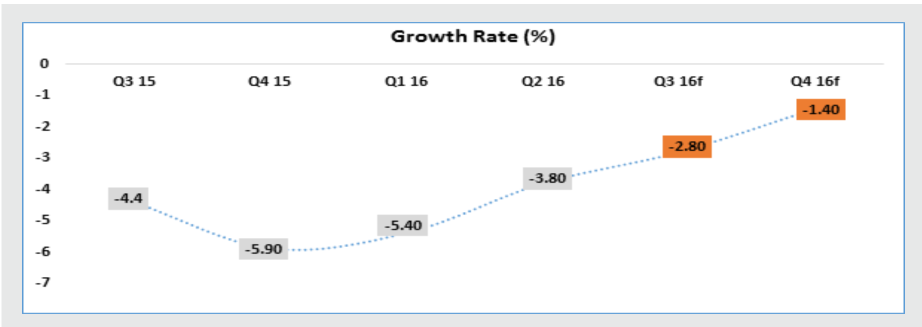
Brazil's current account balance improved in August, continuing to build on the considerable gains made over the past year. The current account registered a shortfall of $579 million, which was notably smaller than July's $4.1 billion deficit and an improvement on August 2015's $2.6 billion deficit. Market analysts had expected a wider $755 million deficit.

The Markit manufacturing Purchasing Managers' Index (PMI) rose slightly in September, increasing to 46.0 from August's 45.7. However, the PMI remains below the 50-threshold that separates contraction from expansion in business conditions in the manufacturing sector as the Brazilian economy lingers in a deep recession.

Since last year, the central bank has kept its benchmark rate at 14.25%, its highest in a decade.

The Brazilian economy is gradually getting back on track to emerge from a prolonged and protracted recession. With the worst of the political crisis behind, leading indicators point to a revival in growth. Business confidence is recovering, industrial production is picking up and prospects for monetary easing are improving. Dilma Rousseff's impeachment has cleared the way for Michel Temer, now Brazil's permanent president until 2018, to focus on the fiscal agenda. However, even with the political situation now somewhat more certain, the government has a tough road ahead. Fiscal adjustments will need to be made in order to revive the economy. Recovery will likely be hampered by consumer caution in the face of high unemployment.

GDP Growth Rate & Forecast – Brazil



Source: Bloomberg.

GLOBAL ECONOMY
BRICS

The economy in H116 showed clear signs of emerging from the prolonged recession brought about by the oil price crash and Western sanctions imposed since 2014, with real GDP contracting by -1.2% y-o-y and -0.6% y-o-y in Q1'16 and Q2'16 respectively, according to estimates from the Economy Ministry.
The contraction in the Russian economy in the second quarter was the slowest since the recession began in late 2014. Comprehensive data showed that GDP contracted 0.6% annually in Q2, which came in above the 1.2% decrease recorded in Q1.
Growth in Russian industrial production returned to positive territory in August, following an abrupt contraction in July. Output increased 0.7% year-on-year (y-o-y), recovering the ground lost in July when output fell 0.3%.

Russia's trade surplus totalled $4.4 billion in August, notably below the previous month's $6.5 billion. On an annual basis, the trade surplus in August was significantly below the $8.9 billion surplus recorded in the same month last year.

Russian Unemployment Rate fell to a seasonally adjusted annual rate of 5.2% in August, from 5.3% in the preceding month.

The Manufacturing Purchasing Managers' Index (PMI) produced by IHS Markit rose to 51.1 in September from 50.8 in August, which was a second consecutive improvement. The indicator remains above 50, meaning that the sector remains in expansion mode.

Growth in Russian industrial production returned to positive territory in August, following an abrupt contraction in July. Output increased 0.7% year-on-year, overshooting the 0.5% rise the markets had expected and recovering the ground lost in July when output fell 0.3%.

Headline inflation slowed to 6.4% y-o-y in September — the slowest rate since February 2014. This reading was below the prior month's 6.9%,

At its 16 September monetary policy meeting, the Central Bank announced a cut to the one-week repo rate from 10.50% to 10.00%. The rate cut in September follows the Bank's decision to leave interest rates unchanged in July and marks the second time this year that the monetary authorities have lowered the main monetary policy rate.

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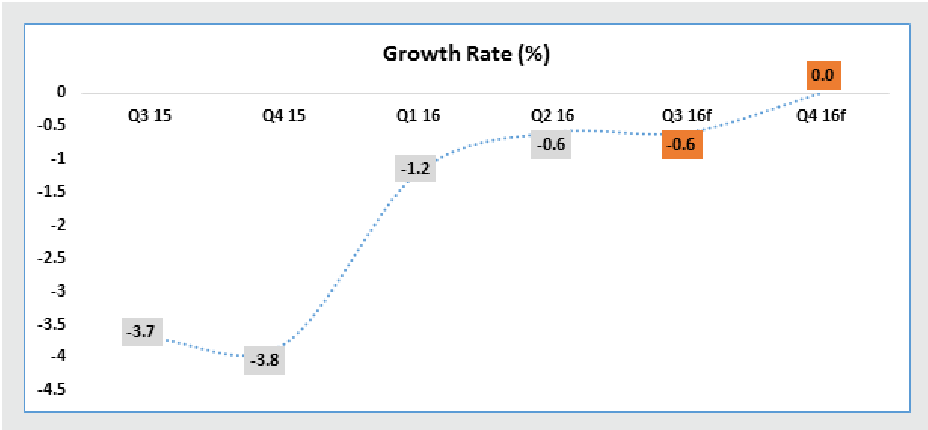
Russia's prospects for this year have improved alongside a recovery in oil prices, and real GDP is likely to start growing again in the second half of this year. So far, the turnaround has been driven by consumption with weak investment and a drag from foreign trade. Lack of structural reforms, slow or non-existent privatization, and ongoing financial sanction will limit momentum.

GDP Growth Rate & Forecast – Russia



Source: Bloomberg.

India

Real GDP growth slipped to 7.1% in Q2'16 from 7.9% y-o-y in Q1'16 due to weak private investment and stressed infrastructure and commodity assets. Private consumption growth slowed in the second quarter to 1.8% – a substantial slowdown from the rapid 14.4% pace recorded in the first quarter.

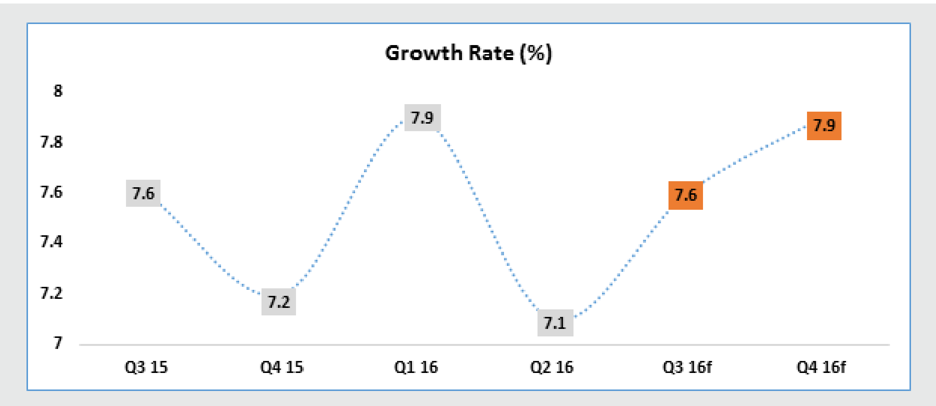
The Nikkei India Manufacturing Purchasing Managers's Index (PMI) reported a 52.1 reading in September from 52.6 in August indicating that growth lost some momentum. Despite the fall, the PMI remains above the 50-threshold that separates expansion from contraction, where it has been since January.

India's trade deficit narrowed nearly 38% in August to $7.674 billion from $12.4 billion in the same month last year. The deficit stood at $7.761 billion in the previous month. The lower trade deficit was due to the 14% fall in imports last month to $29.2 billion compared to the same month last year, data from the commerce ministry showed. Exports contracted marginally by 0.3% to $21.5 billion on a year-on-year basis.

Retail inflation slowed sharply to a five-month low in August after breaching the Reserve Bank of India's (RBI) tolerance level of 6% in the previous month. The Consumer Price Index (CPI) inflation rate eased to 5.0% in August compared with 6.07% in July. The moderation in headline inflation came on the back of slower rises in food prices. Food inflation was 5.91% in August, slower than 8.35% recorded in July.

The RBI decided to cut anchor rates by 25 basis points (bps), to 6.25%, in its October bi-monthly monetary policy review. In a statement issued after the meeting, the governor referenced slow global growth and recent moderation in inflation as justifications. The country will remain as the fastest growing major economy in Asia owing to the government's pro-business initiatives and accommodative monetary policy by the central bank. Manufacturing activity will likely be a key driver of growth over the coming quarters as the sector continues to benefit from a favourable policy environment. However, India's growth outlook faces multiple challenges, particularly as exports continue to struggle and fixed investment remains poor. An increase in oil prices coupled with a still-weak external demand outlook suggests that net exports could deteriorate over the coming quarters.

Growth Rate & Forecast - India



Source: Bloomberg

China

China's economy grew 6.7% in Q2'16 y-o-y, identical with Q1'16 outturn.

Recent high-frequency indicators point to a firming in investment, industrial production and retail sales through September.

GLOBAL ECONOMY
BRICS

On a y-o-y basis, industrial production picked up slightly to 6.3% in August, above the 6% level seen in July. It marked the fastest increase in output since March, a period where authorities acted to bolster flagging economic growth by ramping up state-spending on infrastructure and housing development.

In the first eight months of the year through to August, urban fixed-asset investment (FAI), excluding rural households, rose by 8.1% over the same period last year, which mirrored July's result on the back of stronger infrastructure investment, especially by State Owned Enterprises (SOEs).

In August, retail sales also outperformed expanding by 10.6% year-on-year, which was above the 10.2% increase recorded in July. August's print was mainly the result of stronger sales of automobiles as well as for oil and oil-related products.

The Market News International (MNI) China Business Sentiment Indicator surged to a 13-month high of 55.8 from a revised 54.1 in August as new orders helped to offset a softening in output. The National Bureau of Statistics (NBS) reported that China's manufacturing Purchasing Managers' Index (PMI) for September was level and unchanged at 50.4 from a month earlier.

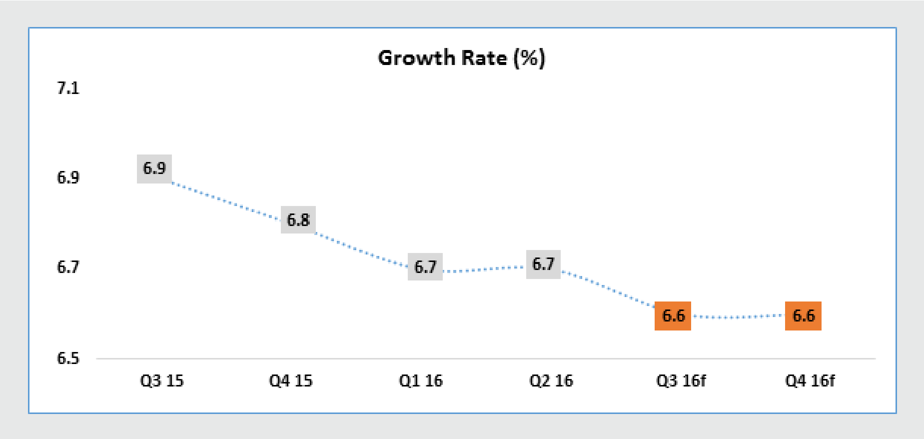
The CPI grew by just 1.3% in the year to August, a figure that was well below the 1.8% pace seen in July. A sharp drop in food inflation, particularly for pork, explained the steep decline in the annual CPI rate. Food prices grew by just 1.3% from a year earlier, down on the 3.3% pace reported previously.

China's foreign exchange reserves fell for a third straight month in September by nearly $19 billion to $3.166 trillion, from $3.185 trillion in August, suggesting fresh capital outflows from the world's second-largest economy.

The People's Bank of China (PBOC's) Monetary Policy Committee at its third quarter meeting in September resolved to: maintain prudent monetary policy and flexibly using multiple policy tools, provide moderate liquidity and guide credit and financing to grow at an appropriate rate. In terms of exchange rates, the Central Bank will maintain Yuan rates stable within a reasonable range. The People's Bank of China (PBOC) has kept its benchmark lending and deposit rates on hold for nearly a year and the Reserve Requirement Ratio (RRR) unchanged since February.

Although the economy is expected to decelerate in the coming months, Chinese authorities have showed their willingness to avert any sharp downturn by shoring up the economy through cheap credit and policy support. Nevertheless, if sustained, credit-fuelled growth and government intervention have the potential to slow China's reforms and exacerbate macroeconomic imbalances.

Growth Rate & Forecast - China



Source: Bloomberg

South Africa

Following a contraction of -0.1% in Q1, the economy moved back into positive territory in Q2, with annualized growth of 0.6%. A recovery in mining and manufacturing, albeit from low bases in Q1, helped offset a further decline in agriculture (which continued to be impacted by severe drought in the growing season), a reduction in power and water output, and flat growth in construction.

More timely indicators, however, suggest that the economy lost momentum going into Q3. Both the manufacturing PMI and the business confidence measure were relatively subdued in the quarter.

The Standard Bank Purchasing Managers' Index (PMI), compiled by

GLOBAL ECONOMY
BRICS

Markit, rose to 50.7 from 49.8 in August, its highest in 17 months but barely above the 50 mark dividing expansion from contraction.

The South African Chamber of Commerce and Industry's (SACCI) monthly business index dipped to 90.3 in September from 92.9 in August, its worst showing since July 1985.
South Africa's retail sales grew 0.8% in July y-o-y, compared with a downwardly revised 1.4% in June. Consumers have been under sustained pressure from higher interest rates and tighter lending criteria.

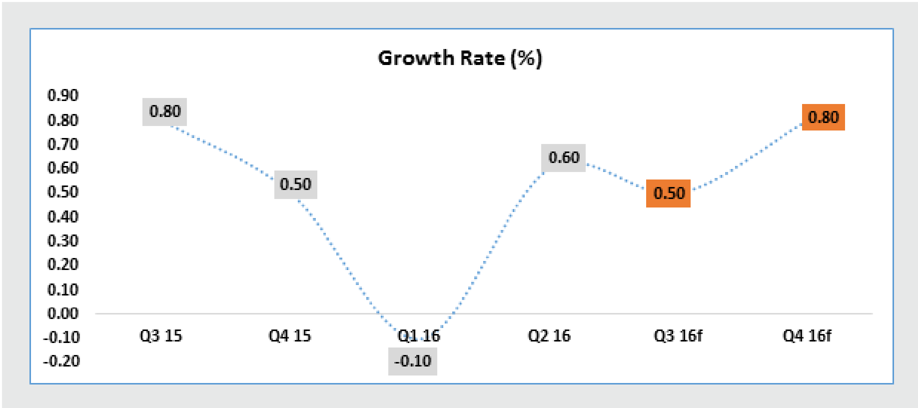
South Africa's current account narrowed to 3.1% of GDP in Q2 from a revised 5.3% of GDP in Q1 2016. Exports surged during the quarter, resulting in a trade surplus of 33 billion rand ($2.32 billion) compared with a revised 48 billion rand deficit in the first quarter.

South Africa's inflation eased to 5.9% in August from 6% a month earlier, and below the upper end of the central bank's target band of 6% for the first time this year. Reduced inflation was largely attributable to the slowing pace of price rises in the transport segment. The index decreased by 2.2% month-on-month (m-o-m), mainly due to the 99 cents per litre drop in the petrol price.

The South African Reserve Bank (SARB) left interest rates unchanged at 7% for a third consecutive meeting in September but alluded to the vulnerability of the local economy and currency as a result of factors, including political events and the ongoing possibility of a downgrade later in the year.

While a sharp fall in imports will offer some tailwinds, investors' uncertainty with regards to the direction of government policymaking, deteriorating labour market dynamics and low commodity prices will temper growth. News of arrest of Finance Minister Pravin Gordhan will raise risks to the country's fiscal consolidation efforts, increasing the potential that the country's credit rating will be downgraded toward the end of the year.

GDP Growth Rate & Forecast – South Africa



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2.0

THE NIGERIAN ECONOMY

THE NIGERIAN ECONOMY

Below is a snapshot of the domestic economy in Q3 2016.

Higher cost of borrowing due to rising yields in the fixed income market	Credit to Private Sector increased slightly	Naira has remained broadly stable at the interbank market
Stock market trended lower	Depletion in foreign reserves	Inflation accelerated
Improving security situation in the North-East region	Benchmark interest rate raised to 14%	Oil Prices nudged higher

2.1 GDP GROWTH

GDP

Nigeria's gross domestic product contracted by 2.06% in the second quarter, according to the latest GDP report published by the National Bureau of Statistics (NBS). The oil sector shrank by 17.48% in the second quarter, compared with a 1.89% contraction in the first quarter. The pace of decline in the oil sector came on the back of lower oil production, with average oil output down 360,000 barrels per day (bpd) to 1.69 million bpd as a result of increased militant activity in the Niger Delta region. The non-oil sector, which was the main driver of Nigeria's recent period of robust economic growth, shrunk by 0.38% in the second quarter, deteriorating from a 0.18% decline in the first quarter.

The IMF's World Economic Outlook for October, puts Nigeria's GDP at 415.08 billion dollars, from 493.83 billion dollars in 2015.

Prior to 2016, the last time the economy contracted was the second quarter of 2004, according to data on the central bank's website. While the international monetary fund predicted a 1.7% fall in GDP for Nigeria in 2016, the National Bureau of Statistics (NBS) predicted that Nigeria's economy is likely to shrink by 1.3% in 2016. This would be the first annual decline in over twenty years, and the worst annual recession to have hit the country since 1987, when GDP growth dropped to -10.8%.

The share of household consumption as a percentage of GDP stood at 70.9% in 2015. Household consumption consists of the consumption of goods or services acquired by individual households by expenditures or through social transfers in kind, received from government units or Non-Profit Institutions Serving Households (NPISHs).

Government consumption as a proportion of GDP was 7.4% in 2015. Government Final Consumption Expenditure consists of expenditure, including imputed expenditure incurred by general government of both individual consumption goods and services and collective consumption services.

Gross Fixed Capital Formation - expenditure on fixed assets (such as building, machinery) either for replacing or adding to the stock of existing fixed assets – stood at 15.1% in 2015.

Net exports - the difference between a country's total value of exports and total value of imports - accounted for 5.9% of GDP in 2015.

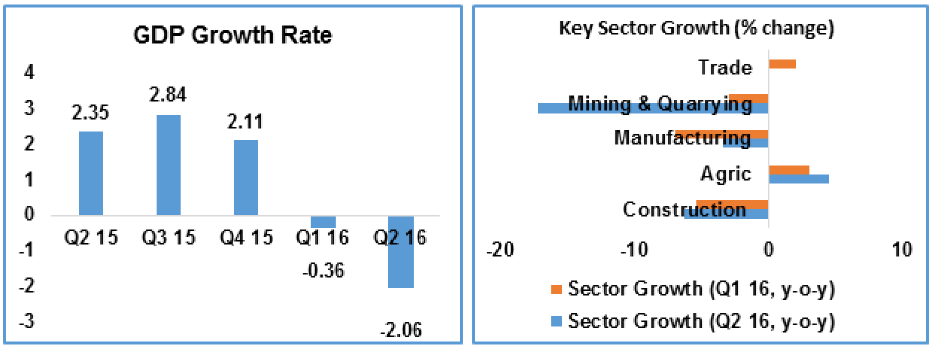
The construction sector real GDP contracted by 6.3% y-o-y, its worst record in the rebased series, compared to the negative growth of 5.4% y-o-y in Q1'16 and 6.4% y-o-y in Q2'15.

Whilst the manufacturing sector still reported lower output in Q2'16, the decline was softer at -3.37% y-o-y compared to previous quarters (Q1'16: -7.00% y-o-y, Q2'15:-3.82% y-o-y).

Real output grew in the agriculture sector (22.55% of GDP) by 4.53% y-o-y, higher than the 3.09% y-o-y in Q1'16 and 3.50% y-o-y in Q2'15. The major activities under the sector including crop production, livestock farming and forestry all recorded higher output growth. Output in the fishing subsector however declined significantly.

The services sector (54.80% of GDP) contracted by 1.25% y-o-y, relative to 0.80% y-o-y growth in Q1'16 and 4.67% y-o-y growth in Q2'15 as the ICT, transportation, trade, and real estate subsectors fared poorly compared to the past. The Financial services (-10.82% y-o-y) and Hospitality (-6.40% y-o-y) sub-sectors also reported negative real GDP growths although they performed better relative to Q1'16.

GDP Growth Rate – Nigeria

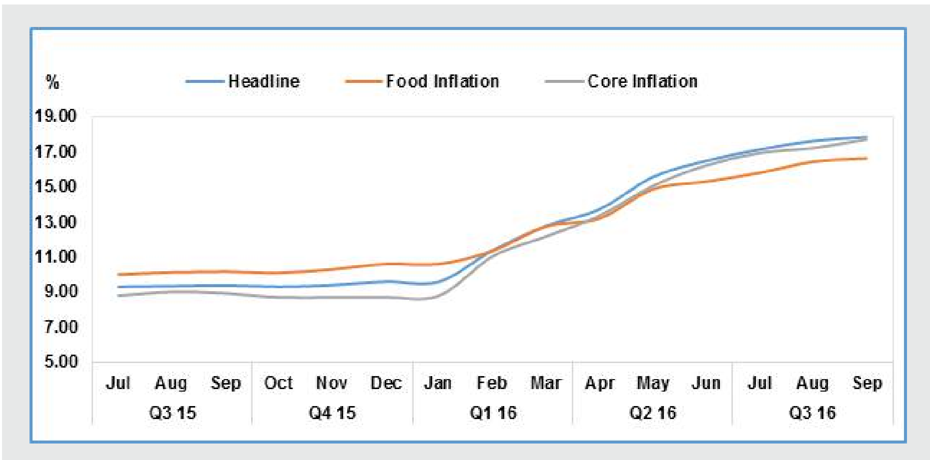


Source: NBS

2.2 INFLATION

Inflation edged up to 17.9% in September from August's 17.6%, marking the highest reading since October 2005. According to the National Bureau of Statistics (NBS), inflation was fuelled by higher prices across all categories, particularly for electricity and fuels as well as imported food products. Food inflation accelerated to 16.6% in September from 16.4% in August, as the cost of meat, bread, cereals and oil increased, the statistics agency said. Core consumer prices, which exclude farm products and energy prices, rose 0.8% in September from the previous month, matching August's result. Core inflation increased from 13.9% in August to 14.1% in September.

Inflation Year-on-Year



Source: NBS

2.3 MONETARY POLICY

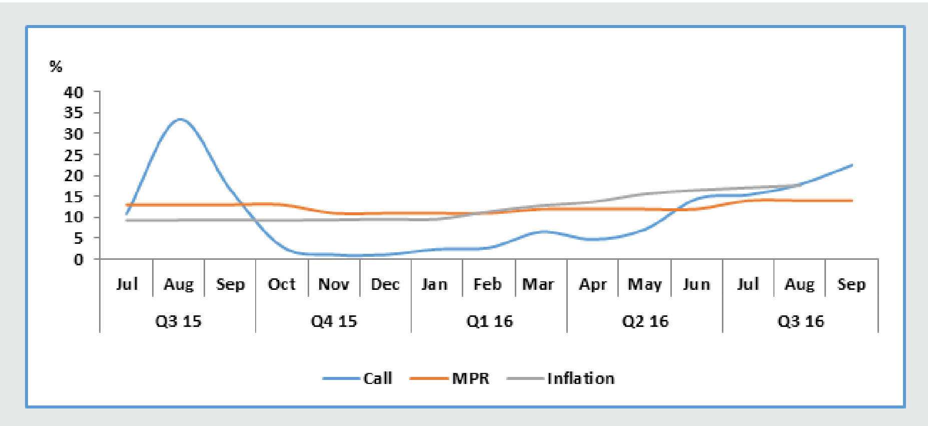
At its 19-20 September meeting, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) decided to maintain the monetary policy rate at 14.00%. The Committee also left the asymmetric corridor of plus 200 and minus 500 basis points around the key rate unchanged. Finally, CBN members decided to keep the Cash Reserve Requirement (CRR) at 22.50% and the Liquidity Ratio (LR) at 30.0%.

The MPC's meeting took place against the backdrop of a bleak period for Nigeria's economy. Data released earlier in the month of September by the NBS showed that Nigeria's GDP contracted by 2.06% in Q2, thus plunging the economy into a technical recession.

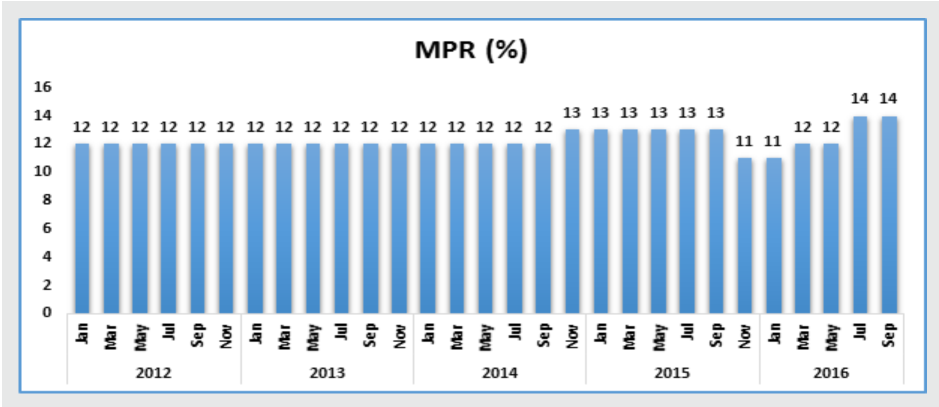
The Committee noted that tight policy was still necessary to anchor future expectations. The Committee drew attention to the fact that FX inflows doubled in August, which was accredited to increased confidence in Nigerian policy-making.

Regarding growth concerns, the Committee said that monetary policy had been substantially burdened since 2009 and had been stretched. It further argued that most of the work to restart the economy would have to come from fiscal rather than monetary policy.

Trends in MPR, Call and Inflation Rate



Nigerian Stock Exchange and Market Capitalization

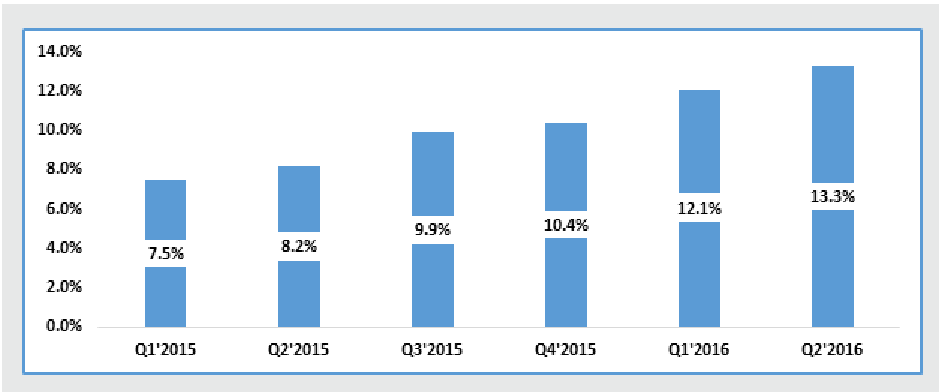


Source: NBS & CBN

2.4 UNEMPLOYMENT

Nigeria's unemployment situation deteriorated in Q2'2016, with unemployment rate rising to 13.3% from 12.1% as at Q1'2016. The represents the seventh consecutive rise in unemployment rate since Q3'2014. The total number of persons in full time employment decreased by 351,350 or 0.65% when compared to the previous quarter. The NBS defined an unemployed person as anyone within the working age (15-64 years) who during the reference period was available to work, actively seeking for work but had no work. Unemployment for both men rose from 10.3% in Q1'2016 to 11.5% in Q2'2016, for women unemployment rose from 14.0% in Q1'2016 to 15.3% in Q2'2016. The economically active population or working age population increased to 106.69 million in Q2 2016 from 106 million in Q1 2016.

Unemployment Rate Trend (%)



Source: NBS

2.5 EXTERNAL RESERVES

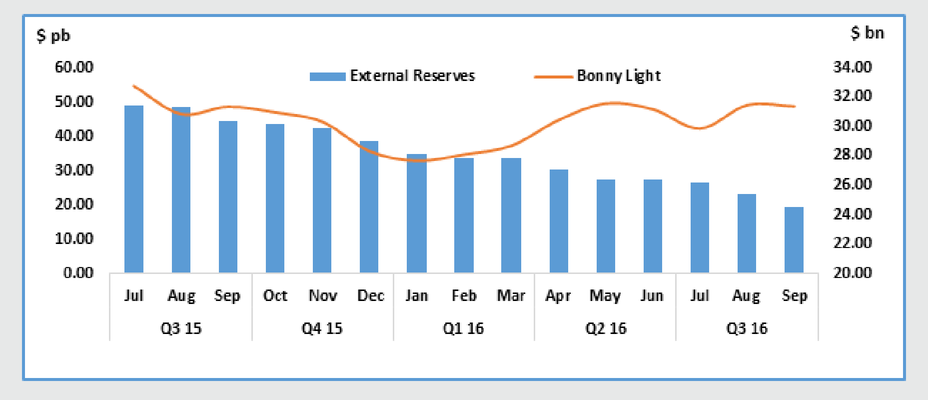
Nigeria's external reserves closed at $24.53 billion on the September 30th, representing a year-to-date decline of $4.54 billion or 15.62%. The gross foreign reserves were enough to cover roughly 4 months of estimated imports of goods and services, above the internationally acceptable minimum of 3 months. The contraction in reserves was largely due to unending demand pressure as the CBN has remained the major supplier of liquidity in the interbank market since the inception of the new regime.

The aggregate supply of foreign exchange for visible and invisible trade in August stood at $2,252.02 million. This represents a decline of 34.86% over the levels recorded in June. The total amount supplied in August, 2016, consisted of $1,584.78 million and $667.24 million for visible and invisible trades, representing 70.37% and 29.63%, respectively.

The contributions of sectors in a descending order as at August were as follows: Oil sector (28.51%), Financial Services (22.91%), Industrial Sector (18.18%), Food Products (9.97%) and Manufactured Products (9.57%).

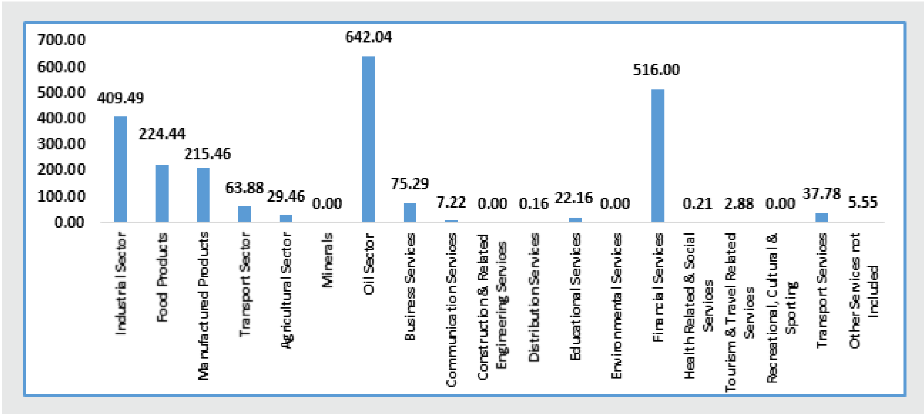
Meanwhile, the price of Bonny light, Nigeria's reference crude, nudged higher to $50.89 per barrel on 7th October from $35.70 per barrel at the beginning of the year. Oil prices have received a boost from recent announcement by the Organization of Petroleum Exporting Countries (OPEC) to cut crude output.

External Reserves and Crude Oil Price (Bonny Light)



Source: CBN

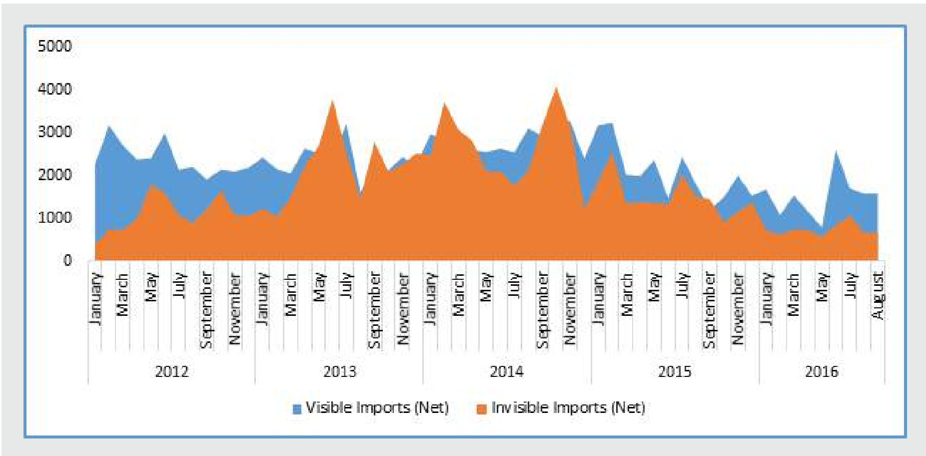
Sectoral FX Utilisation (US$ Million)*



*As at August 2016

Source: CBN

FX Utilisation (US$ Million)*

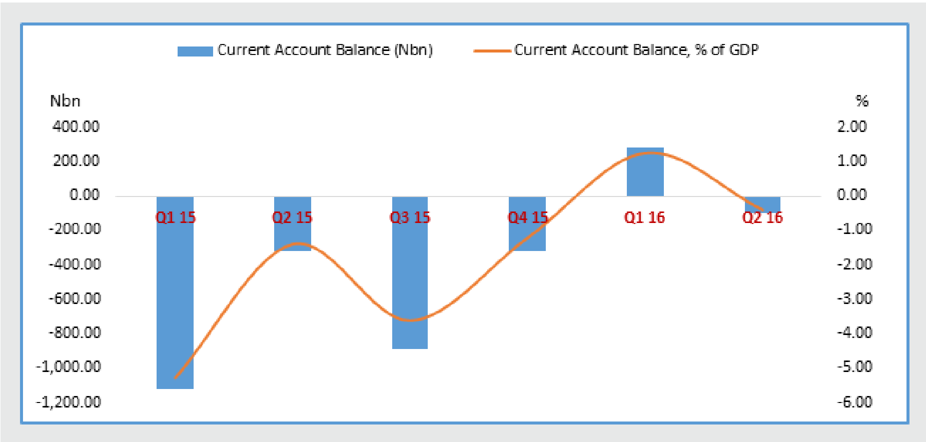


Source: CBN

2.6 CURRENT ACCOUNT

Available data showed that the deficit in the current account was at N93.58 billion or 0.40% of gross GDP in Q2 16 compared with a surplus of N281.47 billion in the preceding quarter or 1.25% of GDP. Both aggregate exports and imports increased by 63.3% and 38.1% to N1.87 trillion and N2.07 trillion, respectively. The rise in imports reflected a decline in the value of the naira. Similarly, the improvement in export value was largely due to the depreciation in the value of the naira. The structure of Nigeria's import trade by section was dominated by the imports of "Boilers, machinery and appliances; parts thereof" which accounted for 34.9% of the total value of import trade in Q2, 2016. The export earnings was largely driven by mineral products which accounted for N1.73 trillion 92.7% of the total export value. The non-oil exports continued to underperform owing to high cost of production.

Current Account Balance

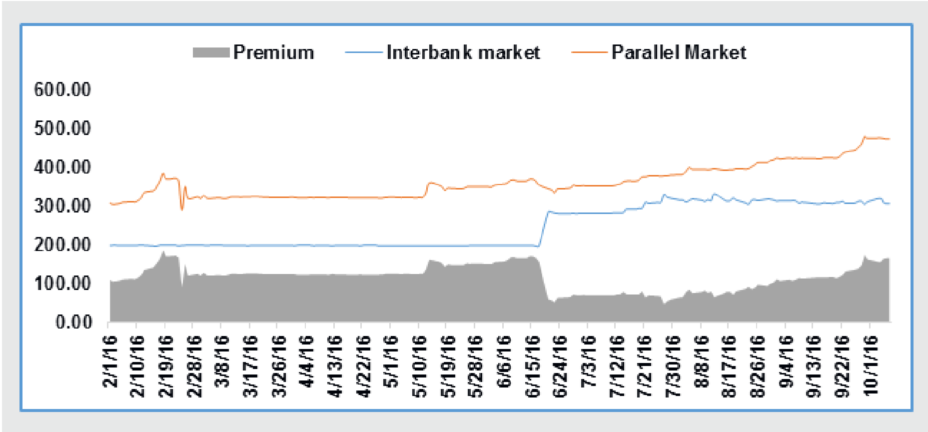


Source: CBN & NBS

2.7 EXCHANGE RATE

The naira has remained under persistent pressure as unmet demand continues to weigh on the local currency at both the parallel and interbank forex markets largely from parents paying schools fees of their children studying overseas as well as travelers. At the interbank spot market, the naira closed at N311.62 to the dollar on 30th September – a depreciation of N29.59 or 10.49% over N282.03 recorded on June 30th. At the parallel market, the naira weakened to the dollar, selling at N473/$ on 30th September compared to N352/$ on June 30th. In a bid to ease the demand pressure, the CBN directed agent banks to approved international money transfer operators to sell foreign currency accruing from inward money remittances to licensed Bureau De Change operators (BDCs) subject to a maximum of $30,000 per week.

Foreign Exchange Rate: Interbank and Parallel



Source: CBN & FMDA

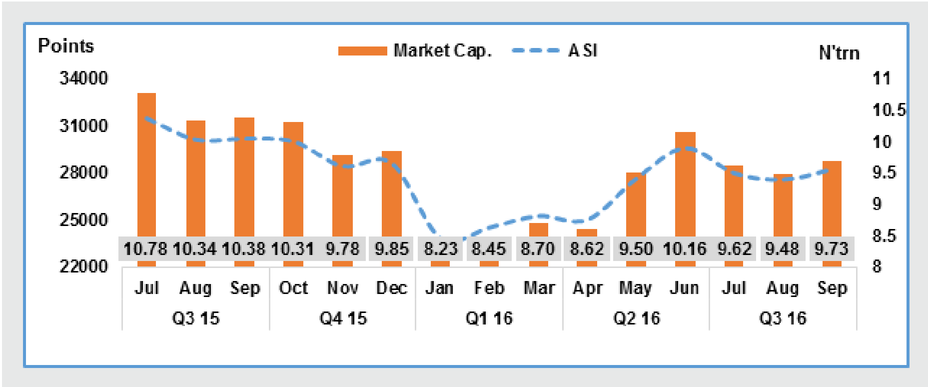
2.8 STOCK MARKET

Investors' sentiment on the Nigerian bourse remained weak in Q3'16 as performance gauges slipped. The All Share Index (ASI) trended south, closing 1,262.39 points weaker at 28,335.40 points, hence bringing the quarter-on-quarter (q-o-q) loss to 4.27%. In the same vein, market capitalization shed N432bn to close at N9.73 trillion which translates to a q-o-q loss of 4.25%. Profit taking and investment diversion to fixed income securities combined to weigh down the market.

Analysis on the Q3'16 performance of NSE Sectoral Indices reveals that NSE Banking index recorded the highest loss to top other indices. The Banking index lost 8.05% in Q3'16, closely followed by the Insurance index with 7.47%.

Other indices that closed red are NSE 30 (4.15%), NSE Lotus Index (2.28%) while the Industrial and Consumer Goods indices recorded gains of 14.56% and 2.87% respectively.

Nigerian Stock Exchange and Market Capitalization

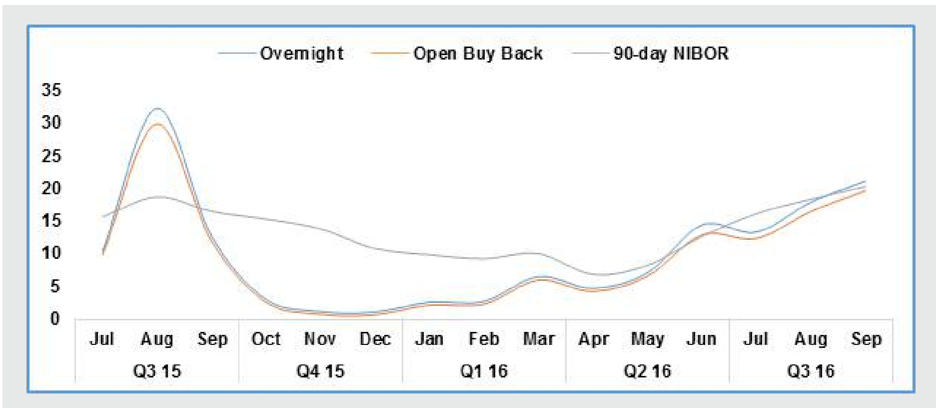


Source: NSE

2.9 NIBOR

Money market pricings were elevated in the third quarter, with overnight (ON) and open buy back (OBB) interbank rates averaging 21.13% and 19.62% in September respectively compared to 14.42% and 12.89% respectively in June. The elevations in interbank lending rates was primarily due to the tightening stance of the monetary regulator. Longer-dated instruments such as the 90-day Nigeria Interbank Offered Rates (NIBOR) also ticked upwards to 20.28% in September from 12.67% in June.

Interbank Lending Rates



Source: FMDA

2.10 SOCIO-POLITICAL LANDSCAPE

Security remained a major challenge, in the northeast in particular. While the military has stepped up the fight against the Boko Haram insurgency and continues to recapture rebel-held territory, the humanitarian situation has continued to deteriorate. The number of internally displaced persons is estimated at over 2 million, located mainly in the cities where conditions are safer. Both the government and development partners continue to explore additional ways of improving the situation.

Attacks by cattle herders on farming communities in disputes over grazing rights escalated. As part of efforts to contain the situation, National Grazing Routes and Reserve Bill 2016 is currently undergoing parliamentary deliberation. It aims to bring the incessant herders-farmers clashes to an end, through the establishment of grazing routes and reserves across the country.

The clampdown on various forms of financial mismanagement, fraud and theft continued in the third quarter with several high-profile individuals being arraigned before courts of law.

2.11 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 (CBN) has directed banks and other financial institutions to allow their customers that are savings account holders to lodge in cheques in their accounts. This directive was contained in a circular, dated July 28, 2016, signed by the Director, Banking and Payment System Department. According to the apex bank, savings account customers with Bank Verification Number (BVN) should be allowed to deposit cheques not more than N2 million in value per customer per day into their accounts. It explained that the decision to allow cheques in savings accounts was in furtherance of its efforts at strengthening the Nigerian payments system.

In the same circular, the CBN announced the removal of fixed interest rate on credit cards and discontinued the actual address verification in account opening, for customers with BVN. It also asked banks to begin to embed BVN biometric data in payment cards issued henceforth, to facilitate off-line BVN verification and biometric-based customer authentication on payment devices as ATM, Point of Sale (PoS), kiosks, etc.

In another development, the CBN advised Nigerians at home and in the Diaspora to beware of the unwholesome activities of some unlicensed International Money Transfer Operators in the country. It said that the warning had become necessary because of the activities of some unregistered IMTOs, whose modes of operation were detrimental to the Nigerian economy.

In August, the CBN ordered Deposit Money Banks and other authorised dealers in the foreign exchange market to allocate 60% of total their total forex purchases from all sources (interbank inclusive) to manufacturers. The apex bank, in a circular, said the DMBs must sell 60% of their forex to end users strictly for the purpose of importation of raw materials, plant and machinery. In the circular, dated August 22, 2016, the acting Director, Trade and Exchange Department, said it took the decision following its review of returns on the disbursement of forex and observed that a negligible proportion of the forex sales were being channelled towards the importation of raw materials for the manufacturing sector.

In a separate development, the Central Bank of Nigeria (CBN) in September directed commercial banks and other authorized dealers in the foreign exchange (FX) market to ensure that they channel 60% of total FX purchases from all sources (interbank inclusive) to end users strictly for the purpose of importation of raw materials, plant and machinery. The central bank said it took the decision following its review of returns on the disbursement of FX and observed that a negligible proportion of FX sales were being channeled towards the importation of raw materials for the manufacturing sector. The CBN gave the directive in a circular signed by its acting Director, Trade and Exchange In September, Standard and Poor's (S&P) downgraded Nigeria's rating to 'B/B' from 'B+' and revised the outlook up to stable from negative. The ratings agency pointed out that Nigeria's economy had weakened more than expected owing to a restrictive foreign exchange regime, a marked contraction in oil production, and delayed fiscal stimulus. Furthermore, it noted that although Nigeria's Federal Government debt has remained low, debt servicing costs as a percentage of general government revenues was high and rising.

3.0

OUTLOOK FOR Q4 2016

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OUTLOOK FOR Q4 2016

Outlook for Q4 2016 and Beyond

- Monetary Policy Rate (MPR) may still remain at 14% as the monetary regulator attempts to contain price growth and encourage a return of foreign portfolio inflows.

- Inflation to remain in the double digits region due to ongoing pressures on the naira, and food inflation and energy cost pressures.

- Naira will continue to hover above N300/$ in the interbank market as the CBN continues to provide liquidity.

- The decline in GDP is expected to deepen in Q3 2016 to about -2.87%, and about -2.69% in Q4. Growth outlook remains muted as risks to oil production abound and investor sentiment remains negative.

- The expansionary 2016 budget will continue to face severe implementation challenges due to weaker oil receipts, which account for the country's main source of FX. Also rising global risk aversion will constrain the country's ability to attract interest in new debt sales aimed at financing its budget.

- The equities market is likely to remain subdued as investors shift to local bonds due to attractive yields

- The decline in FX reserves is likely to persist in Q4 2016 as the uncertain nature of Nigeria's recovery delay the return of capital inflows.

- More initiatives at reducing poverty and creating jobs.

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