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ACCESS ECONOMIC QUARTERLY **FULL YEAR 2016**

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IN THIS EDITION

ACCESS ECONOMIC QUARTERLY
FULL YEAR 2016

CORRESPONDENCE

All enquiries should be forwarded to:
The Economic Intelligence Team
Access Bank Plc
Plot 999c, Danmole Street
Victoria Island, Lagos
T: +234 (1) 280 5619
E: economic Intelligence@accessbankplc.com

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1.0

GLOBAL ECONOMY

GLOBAL ECONOMY

2016 turned out to be fast-paced and eventful, punctuated by significant and unpredictable political, financial and economic changes.

Financial markets experienced alternating phases of turbulence and calm in 2016. Heightened worries over China's growth prospects, further Renminbi weakness coupled with a continued slump in oil prices helped push global markets sharply lower in the first trading week of 2016. While the markets rebounded by March, the Brexit decision in late June, when—despite most expectations to the contrary—the UK electorate voted to leave the European Union (EU), sent markets into another tailspin and pushed the pound lower. By year-end markets had soared to new highs as the surprise election of Donald Trump to the US presidency and his promise to unleash massive infrastructure spending and tax cuts fostered an air of euphoria.

Brent crude, the global oil benchmark, stabilized above $56 per barrel at the end of 2016 up significantly from a low of $36 per barrel at the beginning of January 2016 amid OPEC production cuts. OPEC agreed to cut production among its 13 members by 1.2 million barrels a day from the current 33.6 million barrels. The agreed-upon reduction is expected to reduce global output by about 1%, easing high levels of supplies. A subsequent agreement between non-OPEC producers to also cut supply in December helped deliver a significant boost to crude prices.

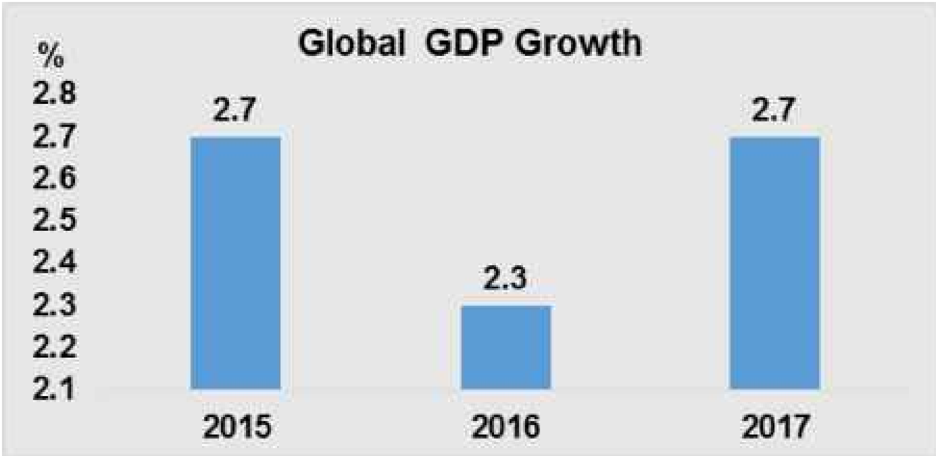
Central banks of Europe and Japan continued with asset purchases in attempts to lift financial markets. In contrast, in December, the US Federal Reserve raised the federal funds rate by 25 basis points to 0.5%-0.75%. The decision comes one year after it began normalisation at the end of 2015.

While policy shifts in the UK and US bring uncertainty that could affect confidence, the global economy looks set to gain momentum in 2017. This view reflects the following assumptions: even though interest rates will rise, they will remain historically low; commodity prices will increase but remain below recent highs; and fiscal policy is likely to be more stimulative than in previous years.

GLOBAL ECONOMY

The World Bank in its Global Economic Prospects report published on January 10th said it expected global growth to expand at a 2.7% annual rate in 2017 from an estimated 2.3% in 2016.

GLOBAL GDP GROWTH



Source: World Bank

GLOBAL ECONOMY
UNITED STATES/EURO AREA

1.1 UNITED STATES

The U.S. economy picked up expansion pace in the middle of 2016, with support of strong consumer spending; the job market continued strengthening; and the inflation increased since earlier in the year.

The third estimate for Q3 GDP came in at 3.5% year-on-year (y-o-y), an upward revision from the 3.2% second estimate. The economy's acceleration in the third quarter marked a sharp pickup from the tepid annual growth of 0.8% in the first quarter and 1.4% in the second.

Consumer spending, which accounts for more than two-thirds of U.S. economic activity, increased at a 3.0% rate in the third quarter, an upward revision from the 2.8% pace reported earlier. Government spending was also revised up to show growth at a 0.8% annual rate, an increase that reflected a smaller drag from cutbacks at the state and local level.

Recently released data continue to show further improvement in economic activity into the fourth quarter.

The Institute of Supply Management (ISM) manufacturing index continued to advance in December, signaling an improvement in the U.S. manufacturing sector. The indicator rose to 54.7 in December from 53.2 in November. The result brought the ISM index further above the 50-threshold that indicates an expansion and to the highest level in five months.

The labour market reports were also positive. Nonfarm payrolls expanded by 156,000 in December, while the unemployment rate ticked up to 4.7% from a nine-year low of 4.6% in November. Job growth average 180,000 a month in 2016, down from an unusually strong 229,000 monthly average in 2015.

Retail sales—measuring spending at restaurants, clothiers, online stores and other shops—rose 0.1% in November from the prior month compared to 0.6% in October.

The Conference Board consumer confidence index climbed to 113.7 in December, up from 109.4 in November and the highest since it reached 114 in August 2001. Much of the confidence boost came from expectations that short-term economic conditions will improve. The Expectations Index, which measures consumers' outlook for the next six months, rose sharply to 105.5, a 13-year high, from 94.4 in November.

GLOBAL ECONOMY
UNITED STATES/EURO AREA

U.S. consumer-price gains accelerated in November for the fourth-straight month largely due to rising energy costs and rents. In the 12 months through November, the Consumer Price index (CPI) advanced 1.7%, the biggest year-on-year increase since October 2014. The CPI increased 1.6% in the year to October.

The outlook for 2017 could shift significantly based on policy changes — like tax cuts and higher trade tariffs — that President-elect Donald J. Trump has promised. The new administration will begin implementing its policy priorities in 2017 and in this context the fiscal stance is projected to become more expansionary as public spending and investment rise, while taxes are cut. This will provide a boost to the economy.

The outlook for U.S. growth in the fourth quarter is still muted relative to Q3's pace, according to recent updates from various sources. The strong 3.5% increase in Q3 is expected to decelerate to around 2% in Q4 and hold around that pace in Q1 2017, picking up slightly as the year progresses.

1.2 EURO AREA

The data from the Euro area points to a continuation of resilient, albeit modest, growth going into the final quarter of 2016. Real GDP growth stabilized in Q3, mainly led by domestic demand, particularly consumption. Employment growth has surprised to the upside, while confidence and activity indicators have improved significantly since their slowdown in the middle of the year, shrugging off concerns about Brexit and a Trump presidency.

Based on the final estimate of national accounts, third quarter Eurozone GDP growth rate was revised slightly up to 1.7% y-o-y, unchanged from the outturn in the previous three months. The expenditure breakdown reveals that growth was supported mainly by domestic demand, driven by the rise in purchasing power as oil prices were low and labour market indicators improved, albeit moderately. Gross fixed capital formation slowed sharply, to just 0.2% from Q2's 1.2%, this despite the loose monetary policy that is conducted by the European Central Bank (ECB).

According to the European Union statistical agency (Eurostat), price pressures intensified in December driven primarily by higher import costs and rising commodity prices. Euro area headline CPI inflation rose to a two-and-a-half year high of 1.1% y-o-y in December, well above November's 0.6%.

GLOBAL ECONOMY
UNITED STATES/EURO AREA (Euro Area)

Eurozone economic and business confidence strengthened to the highest level in more than five years in December, shrugging off political uncertainties from the 'Brexit' vote and national elections in member countries in 2017. The economic sentiment index improved to 107.8 in December from 106.6 in November, survey results from the European Commission showed.

Businesses across the Eurozone ended 2016 by ramping up activity at the fastest pace for five-and-a-half years. IHS Markit's final 2016 manufacturing Purchasing Managers' Index for the Eurozone registered 54.9 in December, its highest since April 2011. That was above both the 50 mark which separates growth from contraction and November's 53.7.

Lending to firms increased 2.1% in annual terms in October after an upwardly revised increase of 2.0% in September. The first reading was 1.9% in September. Lending to Eurozone households grew 1.8% in October, matching the growth in the previous month.

The unemployment rate in the Eurozone held steady in November at 9.8%, the lowest rate since July 2009. Unemployment in the Eurozone has been consistently falling for more than a year and a half as ECB officials urge governments to step up efforts to encourage job creation and strengthen economic resilience in the region.

At its last monetary meeting on December 8th, the ECB's Governing Council decided to reduce the pace of the Asset Purchase Programmes (APP) from €80bn to €60bn starting on April 2017. The ECB also announced some changes to the program's technical parameters, including: removing the yield floor, so that the ECB may invest in assets yielding below the deposit rate, currently set at -40bp, and extending the qualifying government bonds for the program to those maturing between 1-2 years from 2-30 years.

A crowded election cycle within the Eurozone combined with unknown policy directions in key trading partners means that political developments will likely rule the narrative going forward. France and Germany, the region's largest economies and two countries that have been targets of violent attacks in 2016, will hold elections and Eurosceptic candidates are likely to make inroads. As a result of the rise in political risks, there will likely be further uncertainty that may translate to heightened volatility in the financial markets in the short-run, and rising uncertainty in the business sector, which may impede investment and hence growth. The unpredictability of the UK's exit process from the European Union is another major downside risk for the Eurozone.

Overall, the Euro area economy is expected to expand by 1.5% in Q4 16 before decelerating slightly to 1.4% in Q1 17.

GDP Growth Rate & Forecast – Brazil

Source: Bloomberg.
e*: Estimate
f**: Forecast

1.3 BRICS

As a collective, BRICS brings together the five major emerging economies of the world – Brazil, Russia, India, China, and South Africa, comprising 43% of the world's population, contributing about to 23% of the world GDP, and holding a 17% share in world trade.

Brazil

Brazil's economy is in its deepest recession for decades and the country's credit rating has been reduced to junk status by all three main international rating agencies.

In the third quarter of 2016, Brazil's economy shrank 2.9% y-o-y extending the negative streak to seven straight quarters of negative numbers. Real GDP growth in Q3 was dragged down by a -8.4% y-o-y plunge in investment and a -3.4% y-o-y decrease in private consumption, the worst performing components so far this year.

Brazil's consumer price index rose 6.58% in the 12 months through mid-December, down from an increase of 7.64% in mid-November, approaching the top end of the government's target and paving the way for more interest rate cuts. The Central Bank lowered its key policy interest rate in November by 25 basis points (bps) to 13.75%. It was the second cut in two months after the start of an easing cycle in October, to fuel growth in the battered economy.

Brazil's unemployment rate continued to tick higher, reaching 11.9% for the three months through November – almost three percentage points higher than it was during the same period of 2015.
On an annual basis, retail sales fell 8.2% in October, which was a more pronounced decline than September's 5.7% contraction.

The Markit manufacturing Purchasing Managers' Index (PMI) fell slightly in November, decreasing from October's 46.3 to 46.2. 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.

The approval of crucial fiscal reforms and increased fiscal-monetary policy coordination will provide strong impetus to growth and capital inflows. Equity inflows will be dominant as pro-business policies are implemented in infrastructure and oil sectors and economic activity gradually gains momentum, setting the foundation for robust growth from 2018 forward. The fallout from a corruption probe into the president's cabinet ministers still remains a risk for fiscal reform and the economy's rebound.

Brazil's economy is expected to exit recession in 2017. However, the pace of recovery is likely to be meagre amid austerity measures and modest external conditions. Analysts see GDP growth at -2.0% in Q4 16 followed by -0.9% in Q1 17.

GDP Growth Rate & Forecast – Brazil

Source: Bloomberg.

GLOBAL ECONOMY
BRICS

Russia

Following sluggishness in domestic demand in the first three quarters, business survey data and industrial production in October signalled a strengthening of economic activity towards the end of the year.

Preliminary estimates from the Federal State Statistics Services show that Russian GDP contracted by 0.4% year-on-year in the third quarter. In the first and second quarter of 2016, GDP declined by 1.2% and 0.6% y-o-y, respectively, while 2015 overall saw a recession of 3.7% y-o-y.

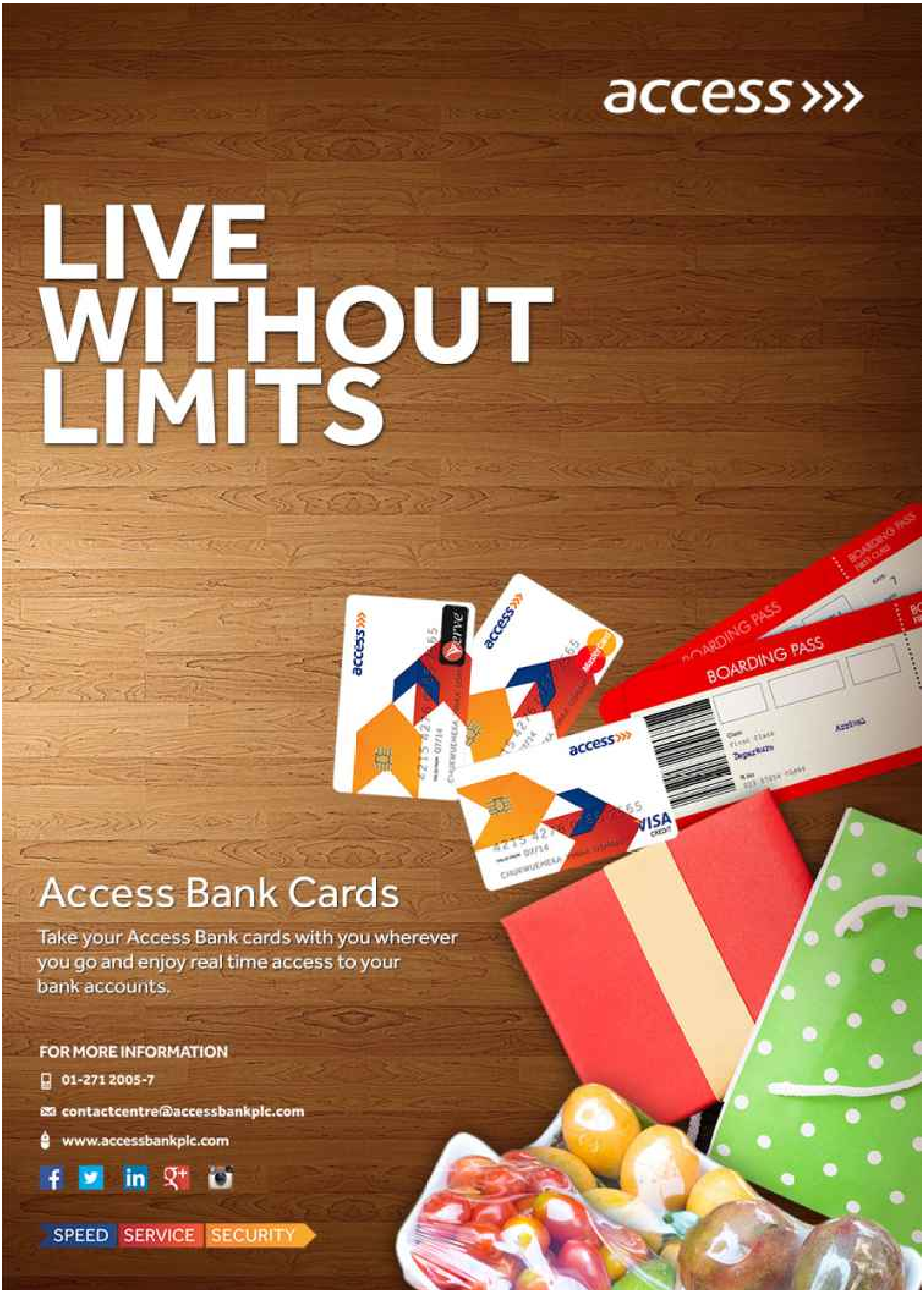
Russian Unemployment Rate remained unchanged at a seasonally adjusted annual rate of 5.4% in November, from 5.4% in the preceding month.

Inflation fell to 5.8% in November from 6.1% in October, which marked the lowest level since July 2012. On 16 December, Russia's Central Bank left the one-week repo rate at 10.00%. The decision was well expected by the markets, given the Bank's previous forward guidance that it would maintain interest rates at least until the end of the year.

The rate of increase in Russian consumer prices slowed to 5.4% in December from 5.8% a month earlier, as food price inflation slipped from 5.7% to 5.2% on the back of a better harvest. Price pressures retreated across the board, with prices for non-food goods easing from growth of 7.0% to 6.7% and those for services from 5.4% to 5.3% in the same period.

Activity in Russia's manufacturing sector expanded at the fastest pace in over five years in December, as suggested by the Manufacturing Purchasing Managers' Index (PMI) produced by IHS Markit. The indicator rose to 53.7 from 52.4 in November

Despite hopes that a friendlier approach by the Trump administration would help lift growth prospects, the recovery is unlikely to gather much strength in 2017 either, not least due to continued tight macroeconomic policies. The central bank cut its policy rate by 50 bps to 10% in September, but it signaled that there would be no further cuts until the first quarter of 2017 at the earliest.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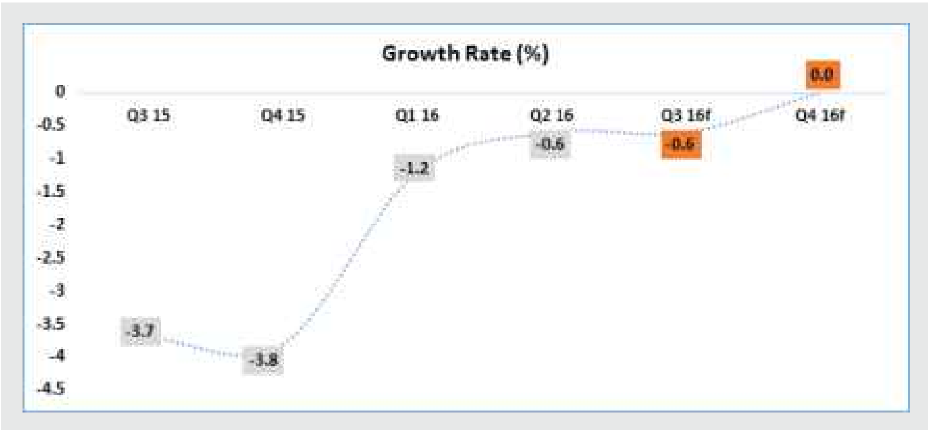
GLOBAL ECONOMY
BRICS

Fiscal policy is likely to be cautious in 2017 as well. The budget draft submitted to parliament aims at reducing the fiscal deficit to 1.2% of GDP by 2019 by cutting nominal expenditures by 1% annually on average and by boosting revenues by a cumulative 11% over the three year period. Such an aggressive consolidation strategy would represent a significant drag on the economy.

GDP should continue to strengthen gradually and the economy is expected to enter a shallow recovery in 2017, with expected growth of -0.2% in Q4 and forecasted growth of 0.5% in Q1 17.

GDP Growth Rate & Forecast – Russia



Source: Bloomberg.

India

The economy expanded 7.3% in the July-September quarter, a slight increase from the 7.1% growth reported for the previous quarter, but below the 7.6% increase recorded in the year-earlier period. Growth essentially came from government spending and higher agriculture expansion of 3.3%

Industrial production in India plummeted in October, falling at the fastest pace in three months. Industrial output decreased 1.9% compared to the same month last year, which contrasted September 0.7% rises. October's result was driven chiefly by a decline in manufacturing output, which fell 2.4% annually, contrasting the 0.9% expansion in September. In addition, electricity output grew 1.1% after posting stronger growth of 2.4% in September. However, the fall in mining moderated to a 2.4% decrease (September: -3.2% year-on-year).

GLOBAL ECONOMY
BRICS

In early November, Indian authorities unexpectedly decided to ban high value bank notes and replace them with new ones in an attempt to curb informal activity. Poor organization and logistics issues have resulted in a negative cash shock, with people struggling to get access to the new cash.

Indian factory activity plunged into contraction in December as a cash crunch following Prime Minister Narendra Modi's currency crackdown severely hurt output and demand. The Nikkei/Markit Manufacturing Purchasing Managers' Index fell to 49.6 in December from November's 52.3, its first reading below the 50 mark that separates growth from contraction since December 2015.

India's retail inflation rate slowed sharply to 3.63% in November from October's 4.2%, mirroring weak demand as households and companies, hit by demonetisation, have put off spending and investment. The Reserve Bank of India (RBI) and the government have set a retail inflation target of 4% for the next five years with an upper tolerance level of 6% and lower limit of 2%.

The Reserve Bank of India (RBI) at a scheduled meeting on 7 December decided to hold the policy rate at 6.25% citing uncertainties emanating from both domestic and global developments.

Clamping down on bribery would boost transparency and administrative efficiency at both the state and federal level, which would in turn lead to improved business conditions. Manufacturing activity will be a key driver of growth over the coming quarters as the sector continues to benefit from a favourable policy environment.

Latest advance estimates indicate the country's GDP growth in Q4 16 is likely to have slowed to 6% on account of the demonetization policy which has led to a drastic consumer spending shock. Growth is forecast to regain its momentum in Q1 17, rising to 6.9%.

Growth Rate & Forecast - India

Source: Bloomberg

China

The Chinese economy expanded by 6.7% year-on-year in the third quarter of 2016, same as in the two previous quarters, supported by an increase in government spending, fixed asset investment and retail sales.

In the first eleven months of the year through November, urban fixed-asset investment (FAI), excluding rural households, expanded 8.3% from the same period last year, mirroring October's result.

In November, nominal retail sales grew 10.8% year-on-year, an eleven-month high, which was above the 10.0% increase in October. The print was mainly the result of stronger sales for automobiles, oil and oil-related products, and household appliances.

In November, industrial production expanded 6.2% over the same month of last year, coming in slightly above October's 6.1% rise.

China's official manufacturing purchasing managers' index (PMI) edged down to 51.4 in December from 51.7 the previous month. The modest slowdown in the economy comes in the wake of government efforts to rein in a booming property market.

China's consumer price index increased 2.3% in November from a year earlier, rising at a quicker pace than a 2.1% y-o-y gain in October, the National Bureau of Statistics said. It added that strength in food prices were the main factor pushing up the headline figure.

China's foreign exchange reserves continued to fall in December, albeit at a slower rate than previous months. China's reserves shrank by $41 billion in December, the sixth straight month of decline, bringing the full year drop to $320 billion. In November reserves fell $70 billion. The central bank's effort to stabilize the Yuan was the main reason for the drop last year.

The economy is estimated to have grown at a 6.7% pace in the fourth quarter of 2016.

The relationship with the new Trump administration, on both economic and strategic fronts, brings great uncertainty. There is a material risk of a trade war if the Trump administration insists on imposing punitive tariffs as threatened during election campaign. The Fed hike and strong dollar on top of this uncertainty could reinforce capital outflows and concerns about the pace of currency depreciation.

Projections for the Q1 17 place the GDP growth rate at 6.6%.

Growth Rate & Forecast - China

Source: Bloomberg

South Africa

Q3 GDP figures showed that the South African economy grew at a y-o-y rate of just 0.2%. That was far below Q2's figure of 3.5%. The breakdown of the data showed that the weakness was broad based, with the manufacturing sector and the trade, catering & accommodation sectors all contributing to slump in Q3 output.

November's manufacturing PMI suggests that the pace of contraction may have eased a bit in the fourth quarter. But, at 48.3, the measure remained below the 50 mark that divides expansion from contraction. This suggests that the sector remained very weak.

Business confidence remained subdued in November. The South African Chamber of Commerce and Industry's confidence measures has, admittedly, ticked up from the post-apartheid low of 91.8 recorded in May. The sustained decline in business confidence has moved in line with weaker investment and the slowing of economic growth in South Africa.

The unemployment rate hit a 13-year high of 27.1% in Q3. Almost one in five working-age South Africans is now classified as “long term unemployed”, which means that they have been actively looking for a job for over a year.

South Africa's trade balance returned to deficit in Q3, taking the current account deficit to 4.0% of GDP in Q3 from 2.9% of GDP in Q2. While imports fell as a result of weak domestic demand, exports fell even further. The mining sector remained weak. And, after growing in recent quarters, manufactured exports also fell. This was partially due to the decline in the price of South Africa's non-gold export goods, but was also the result of a contraction in export volumes, which fell by 7.5% quarter-on-quarter (q-o-q).

Figures released in December show that retail sales fell by 0.2% y-o-y in October. October was, indeed, the worst performance for the sector since December 2009.

Rising transport costs pushed inflation to a nine-month high of 6.6% y-o-y in November. The South African Reserve Bank's monetary policy committee unanimously decided to keep its key policy rate on hold at 7.00% at its meeting in November.

Two of the three major ratings agencies reviewed their outlook on South African FX debt in November. Moody's held its rating at Baa2 (two steps above junk) and Fitch Ratings affirmed its rating at BBB- (one step above). Both agencies hold a “negative” outlook, suggesting that they are likely to cut their rating over the coming months. S&P in December also left its assessment of the nation's foreign-currency debt unchanged at one level above junk, while warning that political interference in fiscal policy could lead to a downgrade.

GLOBAL ECONOMY

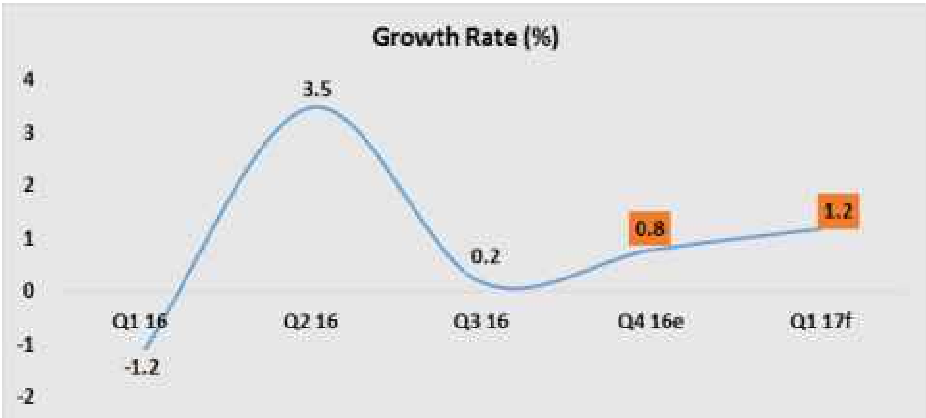
BRICS

President Jacob Zuma, weakened by corruption scandals, survived yet another no confidence motion in parliament.

While all three major ratings agencies left South Africa's credit rating unchanged, all cited weak economic growth as a key risk to their outlook. Fiscal policy continues to focus on reducing the budget deficit and stabilizing debt and no monetary policy easing can be expected until inflation is on a clear downward trajectory. Meanwhile, political uncertainty continues to weigh on confidence. An escalating succession struggle within the ruling African National Congress (ANC), however, could result in political surprises that cause the currency to weaken sharply. Widespread joblessness is adding to social tensions.

A gradual improvement in the world economy and a recovery in commodity prices is expected to have lifted Q4 2016 growth to around 0.8%, while Q1 17 outturn is projected at 1.2%.

GDP Growth Rate & Forecast – South Africa



Source: Bloomberg

2.0

THE NIGERIAN ECONOMY

THE NIGERIAN ECONOMY

Below is a snapshot of the domestic economy in 2016.

2.1 GDP GROWTH

Nigeria's economy continued to weaken in the third quarter. GDP contracted 2.24% y-o-y in Q3, marking a sharper drop than the 2.06% decline observed in the previous quarter.

The third quarter reading was underpinned by a contraction in the oil sector, largely due to militant attacks on oil infrastructure. Oil output in Q3 slid to 1.63 million barrels per day (mbpd) from 1.69 mbpd in Q2, which marks the fourth quarterly decline. Compared to the same quarter of the previous year, oil output declined 24.9% (Q3 2015: 2.17 mbpd) and the oil industry has contracted 22.01%.

The non-oil sector however grew, albeit marginally, by 0.03% y-o-y (Q2'16: -0.38% y-o-y and Q3'15: +3.05% y-o-y) reversing the previous two consecutive quarters of negative growth. While real GDP growth in the finance and insurance (2.64% y-o-y), ICT (1.1% y-o-y) and transportation and storage (0.72% y-o-y) sectors helped drive a more positive outcome, along with continued momentum in agriculture (4.5% y-o-y), activity in both manufacturing (- 4.4%) and construction (-6.1%) disappointed.

The economy on the brink of its first full-year recession since 1991. The World Bank expects the Nigerian economy to shrink by 1.7% for all of 2016 and expand 1% in 2017.

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 household 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 contribution from the various GDP components i.e. Consumption, Investment and Government Expenditure is not expected to have changed significantly in 2016.

GDP Growth Rate – Nigeria

Source: NBS

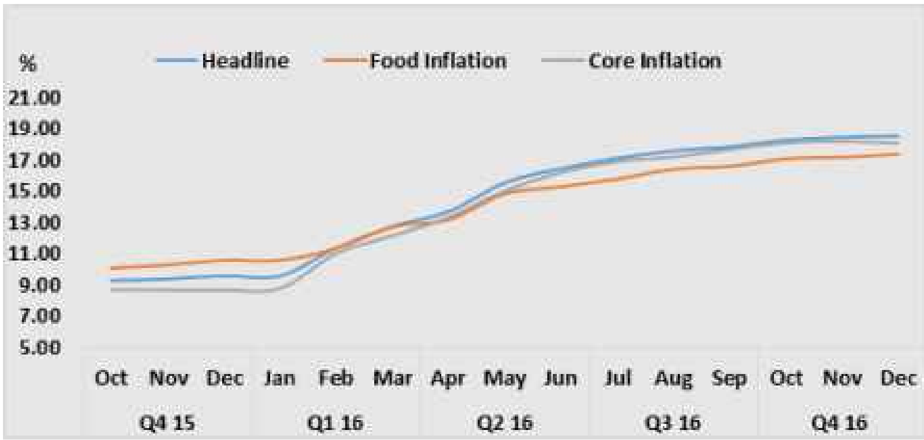
2.2 INFLATION

From an average 9.0% in 2015, inflation averaged 15.66% over the year 2016, rising from 9.6% in January to 18.55% at the latest print in December. Much of this has been structural rather than demand-driven, with hikes to energy tariffs, the removal of fuel subsidies and the depreciation of the naira on the black market being principally responsible.

Food inflation, which has a 51.8% weighting in the CPI basket, also remained elevated throughout 2016, adding upward pressure to consumer prices. In December, the food index increased by 17.39%, up 6.8 percentage points from rates recorded in January.

Price movements recorded by the All Items less farm produce or Core sub index rose by 18.1% in December compared to the 8.8% recorded in January.

Inflation Year-on-Year



Source: NBS

2.3 MONETARY POLICY

In its final Monetary Policy Committee meeting for 2016, the Central Bank of Nigeria (CBN) held its main interest rate, the Monetary Policy Rate (MPR), at 14% in November, retaining its tighter monetary stance, which began with a two percentage point rate hike at its July meeting.

In justifying its decision, the Central Bank of Nigeria (CBN) was clear that it was targeting real interest rates, which would in turn encourage a return in investment to the beleaguered economy.

In its assessment of the domestic economy, the Committee stressed that weakness in the economy could not be improved solely with monetary policy instruments and urged the Federal government to take action and improve liquidity conditions in the economy, particularly in the agriculture and manufacturing sector.

Trends in MPR

Source: CBN

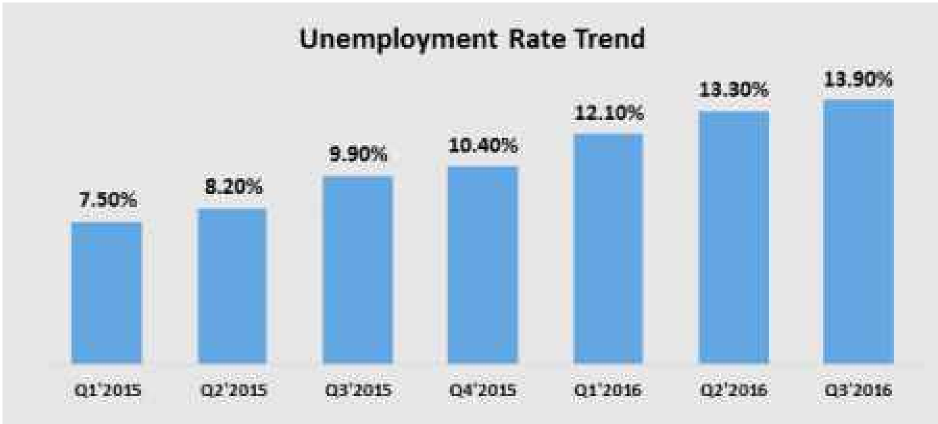
2.4 UNEMPLOYMENT

Nigeria's unemployment situation deteriorated in Q3 2016, with unemployment rate rising to 13.9% from 13.3% as at Q2 2016. This represents the eight consecutive rise in unemployment rate since Q4 2014.

The total number of persons in full time employment decreased by 272,499 or 0.51% 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 Rate Trend (%)



Source: NBS

2.5 EXTERNAL RESERVES

Nigeria's foreign exchange reserves fell 11.1% to $25.84 billion by December 30th, from $29.07 billion a year earlier.

However, the reserves showed a 4.32% increase month-on-month, up from $24.77 billion at the end of November due to a slight recovery in global oil prices and a rise in oil production levels.

Reflecting the agreement to curtail output by OPEC, Bonny light, Nigeria's crude benchmark ended the year at $55.59 per barrel, up 55% on the start of the year.

Nigeria's oil production rose to 1.70 mbpd in November, up from 1.65 mbpd the previous month, which lifted the country forex reserves.

Despite demand pressure, the nation's external reserves and the volume of money or other assets held by the apex bank recorded an increase of $1.07 billion in one month, after weeks of consistent and gradual gains.

THE NIGERIAN ECONOMY

The apex bank disclosed in its data on foreign exchange utilisation for November 2016 that it granted access to requests for foreign exchange, valued at $1.84 billion through the inter-bank window.

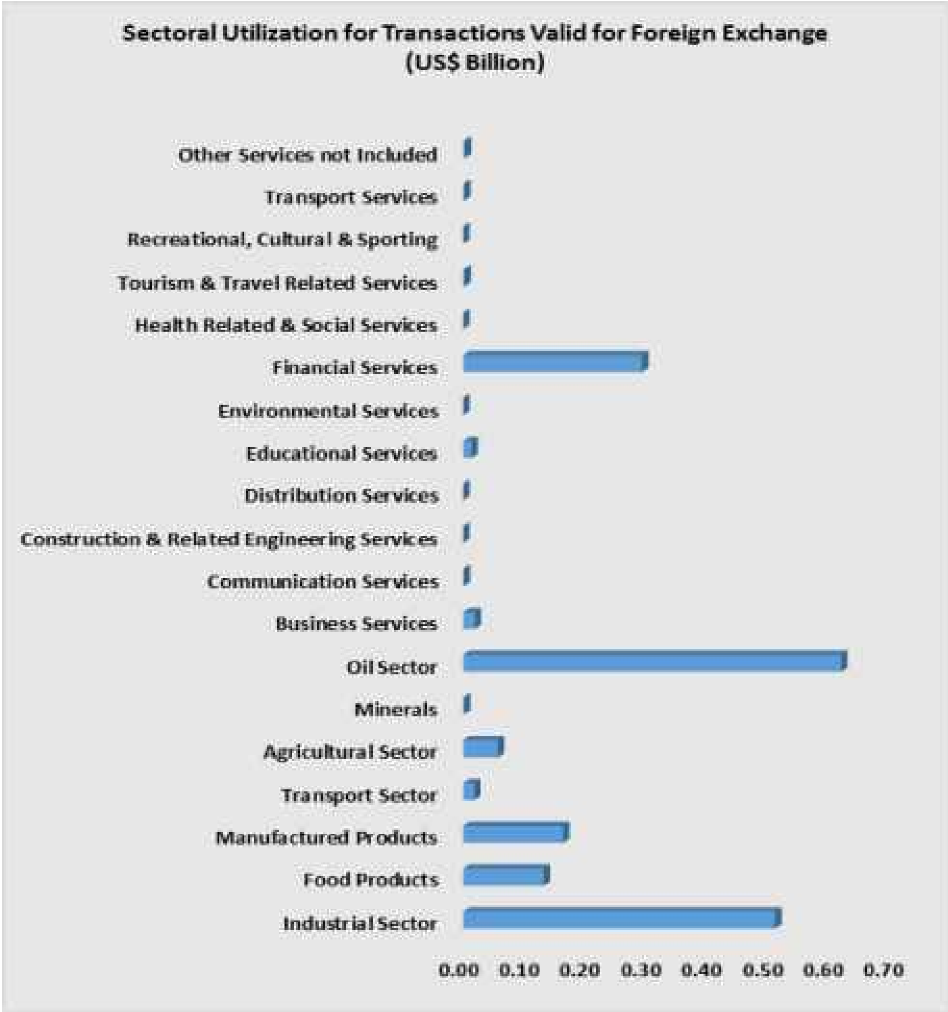
This amount consisted of $1.50 billion and $0.34 billion for visible and invisible trades, representing 81.52% and 18.48%, respectively.

A breakdown shows that in November the oil sector got the highest share of $619.87 million, accounting for 33.7% of the total forex allocation for the month. The industrial and the financial services sectors received $511.47 million and $293.56 million or 27.81% and 15.96% respectively, while manufactured products received $164.1 million or 8.92%.

External Reserves and Crude Oil Price (Bonny Light)

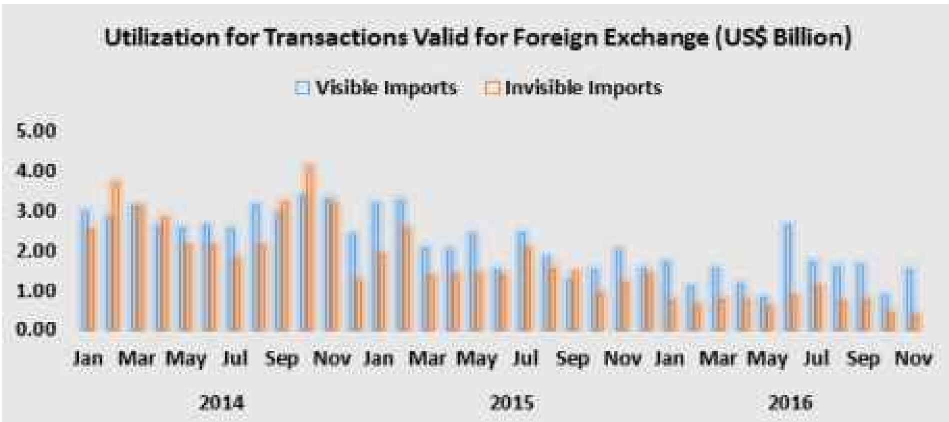
Source: CBN

Sectoral FX Utilisation (US$ Million)*



*As at November 2016
Source: CBN

FX Utilisation (US$ Million)



Source: CBN

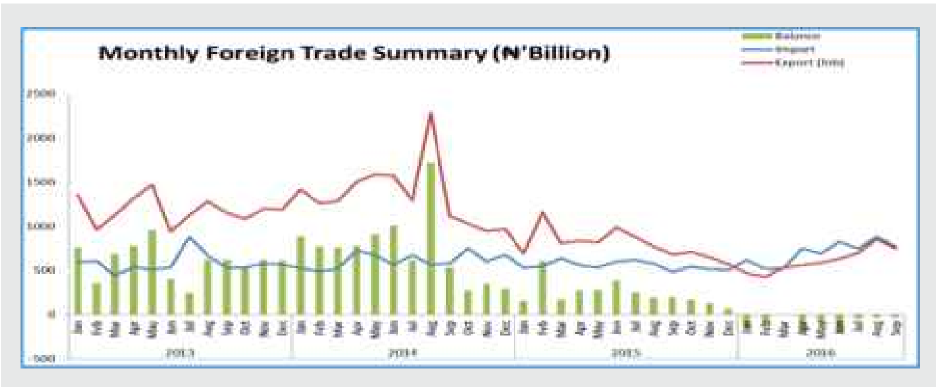
2.6 EXTERNAL TRADE

The total value of Nigeria's external trade in the third quarter of 2016 was N 4,721.9 billion. This figure consisted of exports worth N2,309 billion and imports worth N2,413 billion, indicating a slight negative trade balance of N104 billion. As in previous quarters, the sector which contributed the most to total trade was Crude Oil, which was all for exports.

In total this sector accounted for N1,944 billion, or 41.2% of the total trade in the third quarter of 2016. The Manufacturing Sector had the second largest share of total trade, accounting for N1,218.3 billion or 25.8% of the total, but in contrast to Crude Oil, was dominated by imports. Other Oil products was also a prominent sector, and accounted for N1,029.4 billion, or 21.8% of the total.

The remaining sectors were a relatively small proportion of total trade. Raw Materials accounted for 6.37% of the total, Agriculture accounted for 4.43%, Solid minerals ac-counted for 0.43%, and trade in Energy goods was negligible at N0.1 billion.

Foreign Trade Summary



Source: CBN & NBS

2.7 EXCHANGE RATE

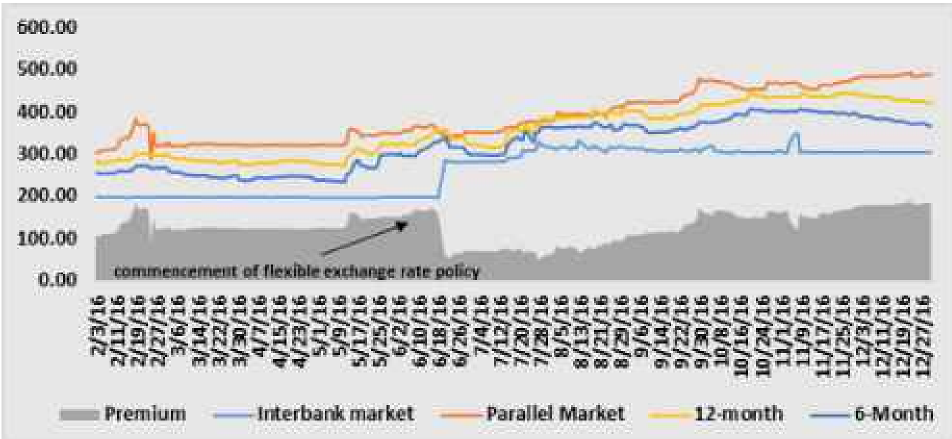
The local currency was under persistent pressure both at the interbank and parallel foreign exchange markets throughout 2016 owing to acute shortage of the dollar.

Over the year, the naira has a seen drastic depreciation in value, moving from N197/$ to N282/$ at the launch of the current "floating" foreign exchange policy in June, 2016.

As at December 31st 2016, the interbank exchange rate closed at N305/$, about 8% weaker than in June. At the parallel market, the exchange rate weakened significantly to around N490/$ on December 30th compared to around N278/$ and N352/$ respectively at the beginning of the year and June. The weakening of the local unit at the parallel market took the spread or premium between the two market rates to a high of N185 at the end of 2016 compared to about N110 at the beginning of the year.

Naira forwards also soared, suggesting foreign investors see another devaluation coming. Contracts maturing in six months closed at N367 per dollar on December 30th, from N300 per dollar at the end of June,

Foreign Exchange Rate: Interbank and Parallel



Source: CBN & FMDA

2.8 STOCK MARKET

Depressed international oil market, exchange rate crisis, monetary policy effects coupled with some tough fiscal policies in the year further weakened investors' confidence towards investment in equities in the year.

Consequently the Nigerian stock market maintained a bearish outlook to close the year 2016 on a negative note. Specifically, the NSE ASI recorded a negative year to date return of -6.17% to settle at 26,874.62 points on 30th December from 28,642.25 points at the beginning of 2016. Similarly, the market capitalization of stocks quoted on the exchange closed with a year to date loss of 6.13% at N9.25 trillion on 30th December 2016 compared to the opening value of N9.85 trillion on January 1 2016.

A review of sub-indices on the market showed mixed performances. The NSE Premium, NSE Pension and NSE Banking are the only sectoral indices that closed in green zone with 6.79%, 1.34% and 2.17% gain, respectively. However, 6 other sectoral indices closed in the red, led by NSE Industrial Goods and NSE Oil & Gas with -26.37% and -12.31% losses respectively.

Nigerian Stock Exchange and Market Capitalization

Source: NSE

2.9 NIBOR

Money market pricings were volatile over the year, but generally trended higher since Q1 2016, in line with the CBN's interest rate hikes in March and July 2016.

Average Overnight, Open Buy Back and 3-month interbank interest rates settled at 7.97%, 7.23% and 18.62% respectively in December compared to 3.04%, 2.59% and 15.31% tallied in that order in January. In addition to the hike in MPR, volatility of money market rates also largely reflected the level of systemic liquidity. The key drivers of liquidity in the system included Federation Account Allocation Committee (FAAC) flows, Treasury bill purchases and sales, FX purchases, CRR debits etc.

Interbank Lending Rates

Source: FMDA

2.10 SOCIO-POLITICAL LANDSCAPE

The socio-political scene witnessed several developments

The 2016 budget passage was delayed after the two arms of the National Assembly (the Senate and House of Representatives) discovered it was full of inaccuracies. The budget titled 'Budget of Change' was eventually signed by President Muhammadu Buhari on May 6 after the Senate had passed it earlier on March 23. The delay was caused by accusations and counter-accusations by both the Legislature and Executive that the budget had been padded.

In May, the Federal Government announced that a litre of petrol would be sold for N145 from the previous price of N98. Nigerians reacted to the hike with mixed feelings which led to a failed attempt by the Nigerian Labour Congress (NLC) to organise a nationwide strike.

The anti-corruption drive of the administration gained further traction in 2016. In what it described as a sting operation, the Department of State Services raided the houses of some judges in different parts of the country between October 7 and 8, 2016. The operation saw four serving judges, including two Justices of the Supreme Court, arrested for alleged corruption allegations.

The year also saw keenly-contested elections at various levels in Bayelsa, Edo, Rivers and Ondo states, none of which was free of violence and accusations of irregularities.

The year also witnessed unending pipeline vandalisation in the Niger Delta region with the Nigerian Petroleum Development Company, NPDC, exploration and production subsidiary of the Nigerian National Petroleum Corporation, NNPC, saying it lost N1.5 trillion to attacks on its facilities in 2016.

In December, the Nigerian army announced it had has captured a key Boko Haram camp, the militant group's last enclave in the vast Sambisa forest that was its stronghold. Earlier in October, 21 of the abducted Chibok girls were freed following negotiations with the militant group.

2.11 FINANCIAL SECTOR DEVELOPMENTS

A number of developments and policy pronouncements dominated headlines in 2016. Most notable are the following:

In November, the Central Bank of Nigeria (CBN) announced that it was working on a framework that will ensure that bank customers involved in electronic fraud are either blacklisted or placed on close surveillance. The apex bank's Director, Banking and Payment System made this disclosure at the October edition of the Nigeria eFraud Fraud Forum (NeFF). He said the framework, which is at the final stage of its approval, would give the regulator the legal backing to use the Bank Verification (BVN) platform to identify, watch-list and blacklist fraudulent account holders in all the 22 banks and Other Financial Institutions (OFIS).

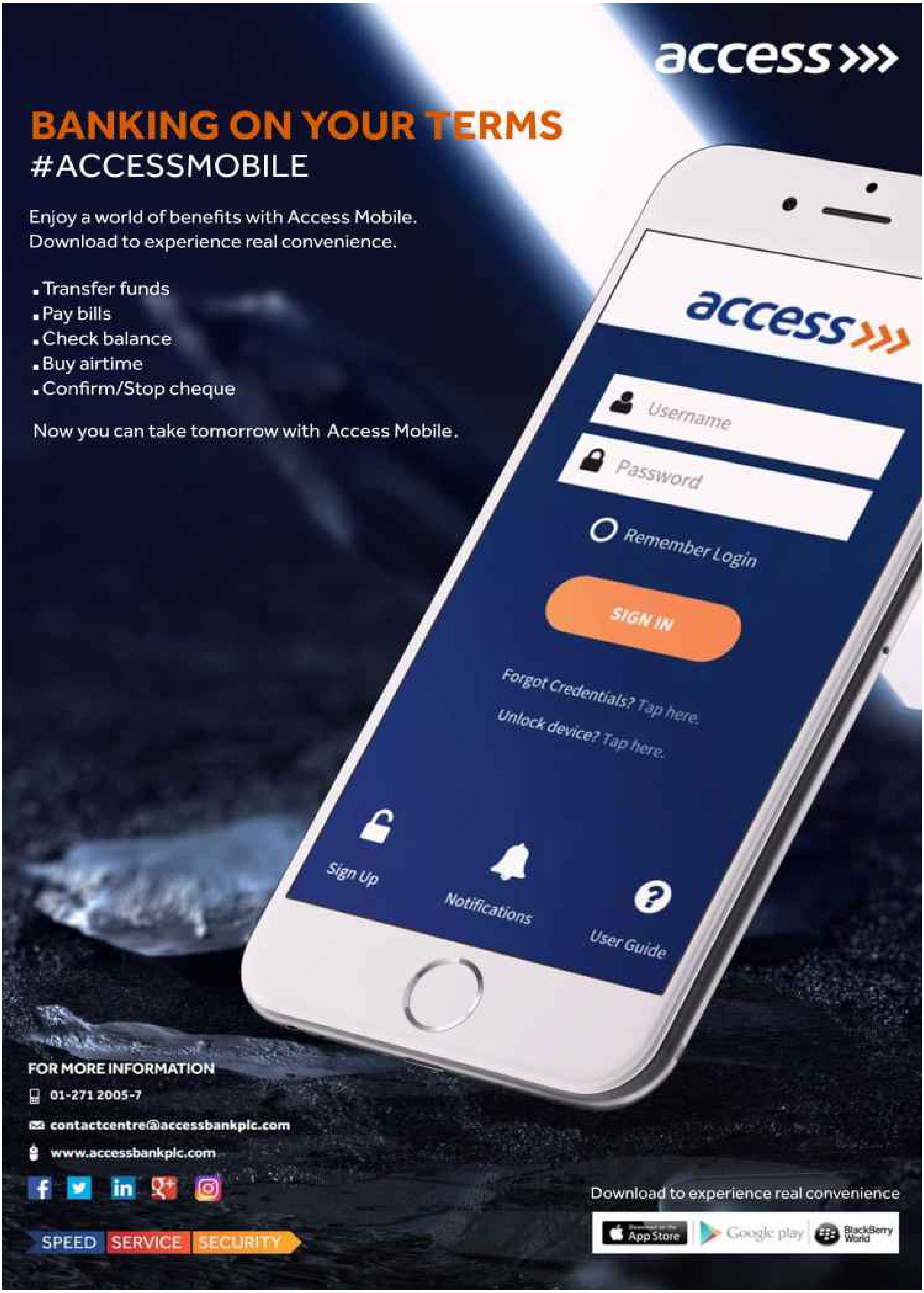
In an earlier development in August, the CBN advised Nigerians at home and in the Diaspora to beware of the unwholesome activities of some unlicensed International Money Transfer Operators in the country. It said that the warning had become necessary because of the activities of some unregistered IMTOs,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

Also 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.

The monetary regulator 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 April, Minister of Communications hinted that the Nigerian Postal Services (NIPOST) will soon introduce banking services to rural areas of Nigeria. He added that the banking services would avail Nigerians in rural areas the opportunity to carry out banking transactions. The Minister noted that plans are ongoing to re-position NIPOST to make it vibrant and to diversify its services. In its efforts to reposition NIPOST, the ministry identified some major areas that could be included in the mandate and functions of the service. The ministry highlighted some of them to include internet services in all NIPOST locations, property development, e-commerce and introduction of rural banking.

At the beginning of the year, the 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 intrabank 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.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OUTLOOK FOR Q1 2017

Outlook for Q1 2017 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, although sticky downwards, due to ongoing pressures on the naira, and food inflation and energy cost pressures.

- Naira will continue to hover just above N300/$ in the interbank market as the interbank market remains largely managed

- The decline in GDP is expected to slowdown in Q4 2016 to about -1.83%, and about -0.88% in Q1 2017. Growth outlook remains muted as risks to oil production abound and investor sentiment remains weak

- The expansionary 2017 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 budge

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

- The accretion to FX reserves is likely to persist in Q1 2017 as oil prices hover around the $50 per barrel mark

- More initiatives at reducing poverty and creating jobs.

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