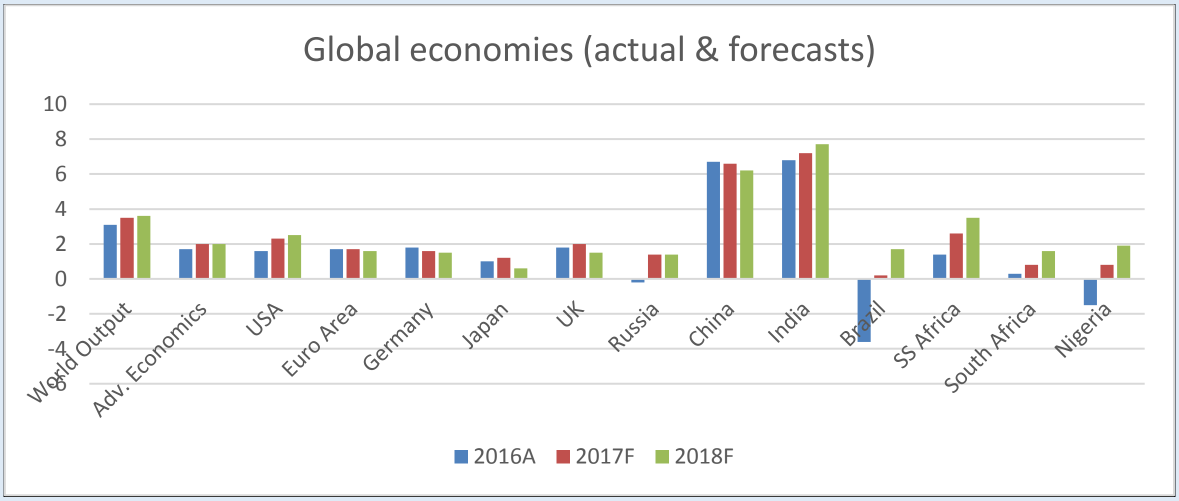
GLOBAL ECONOMIC REVIEW

The world economy posted an improved growth in the H1 2017, with advanced economies benefiting from loosed monetary conditions and tightening labor markets while emerging economies made the most of a recovery in commodity prices and resilient dynamics in China. Data from the International Monetary Fund (IMF) shows that growth was 3.2% (year-on-year) in Q2, thereby marking the highest growth in two years and coming in marginally above the 3.1% expansion recorded in Q1. The global upswing in economic activity has led to revision of earlier projections for global growth now expected to rise to 3.6% in 2017 and 3.7% in 2018.

The positive momentum, which is reflective of broadened and strengthened expansions across advanced and emerging economies, seems to have been carried over into Q3. In the Euro area for instance, recent unofficial data from the European Central Bank (ECB) continues to point to solid growth in Q3. This development is prompting the ECB to consider shifting to a more hawkish stance on interest rates management and it is anticipated the Bank may likely announce a tapering of its economic stimulus in Q4. The U.S. economy also witnessed solid performance in the second quarter, but the effects of Hurricanes Harvey and Irma have already dented economic activity in Q3.

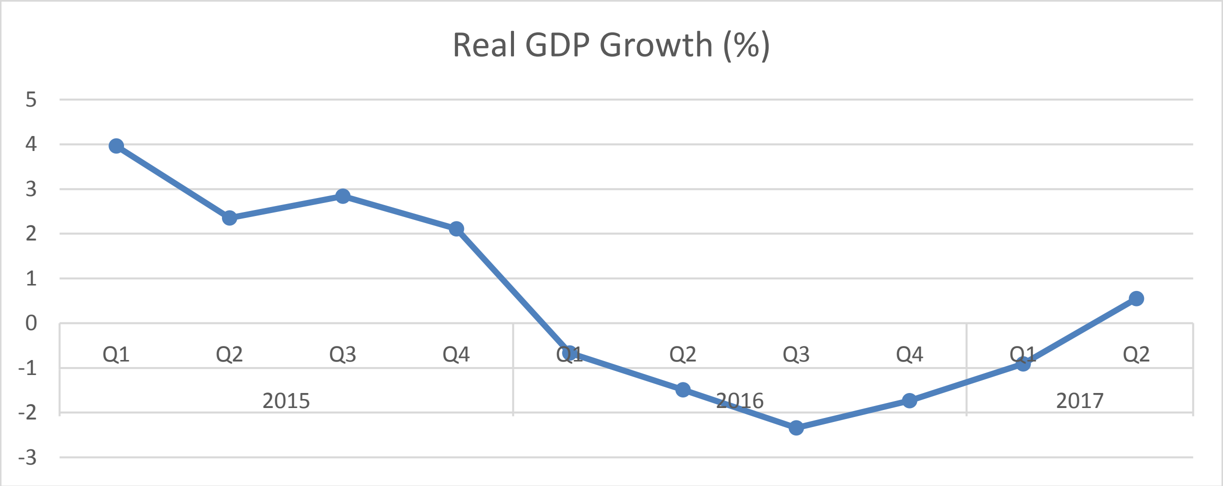


Source: *IMF, GTI Research*

For policymakers, the cyclical pickup in global activity provides an ideal window of opportunity to undertake critical reforms to stave off downside risks, raise potential output, and improve living standards more broadly.

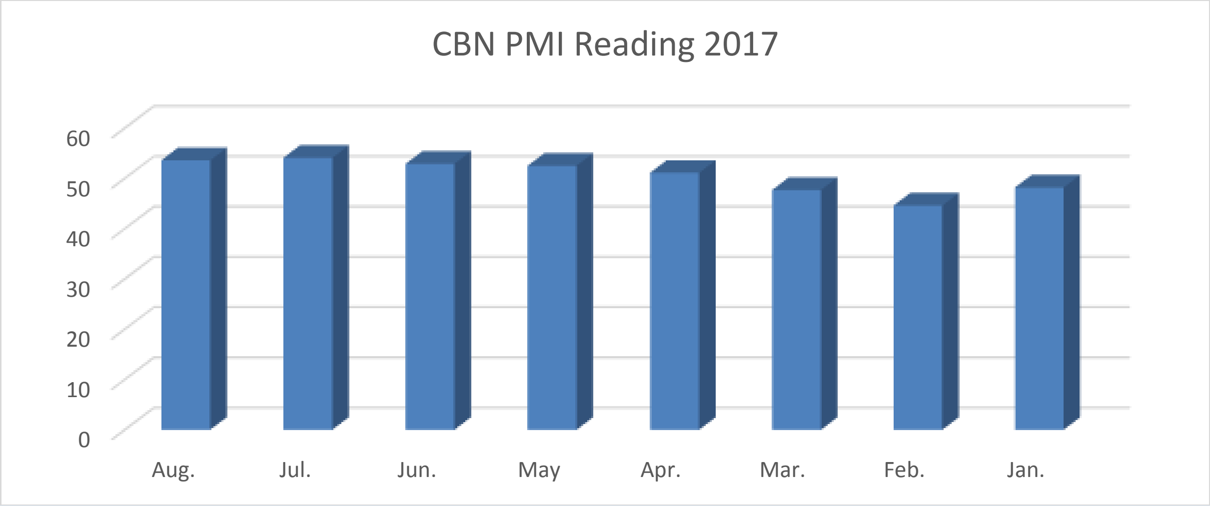
NIGERIAN ECONOMY REVIEW

The Nigerian economy is in recovery trough having seen a positive growth of 0.55% in Q2 2017 after a run of prior five consecutive quarters of negative growth. The biggest driver of growth was oil and gas sector. The sector bolstered by improved crude oil production as result of relative peace in the oil rich region of the Niger-Delta, grew by 1.64%, representing 13.26% growth relative to rate recorded in comparable period of 2016. On a quarter-on-quarter basis, it grew by 7.52% and contributed 8.89% to total real GDP. Meanwhile, oil production estimate averaged at 1.84 million barrels per day (mbpd), 0.15 million barrels higher than average production recorded in Q1 2017.



Source: *Nigeria Bureau of Statistics (NBS), GTI Research*

Other emphasis on the growth seen was the Central Bank of Nigeria (CBN) major decision to create investors' and exporters' foreign exchange (I&E FX) window in April which resulted in increased confidence and improved liquidity in the system. This has bolstered the Purchasing Managers' Index (PMI) and helped lessen the burden experienced by businesses in accessing foreign exchange. Since April, the PMI has maintained an upward trend above 50 index point. It hit 55.3 index in September compared to 53.8 index point recorded in August. For the first time in 2017, foreign investors' participation in the Nigerian Stock Exchange (NSE) grew by 52.5% in August and outpaced domestic participation.



Source: *CBN, GTI Research*

As we count down to the release of Q3 2017 economic data and going forward into the Q4, we expect these positive developments within the economic space to be consolidated. The drive by stakeholders in seeing to the effective implementation of medium-term road map of the fiscal authority, theme; 'Economic Recovery and Growth Plan' (ERGP) through synergy between private and public participation could be a major win-win for the economy.

The Equity Market Space

The Nigerian stock exchange continues to trade on positive momentum driven by recent economic data and expectation that the fiscal authority will stay on course with implementation of the medium term ERGP to the letter. This provided fillip in the investment space and helped pushed the All-Share Index (ASI) to 31.87% growth as at 30th of September, 2017.

In summary, the ASI appreciated by 31.87% to close at 35.439.96 points. Conversely, the Market Capitalization grew by 22.12% to close at N12.21 trillion. Kindly view the activity table below. The deviation in the two indices was due to listing of supplementary shares of some firms on the Official List.

MARKET STATISTICS- 2017 ended Sept. 30th				
	Sept. Closed	**Jan. Opened**	**Points/Value Diff.**	**% Change**
Index (ASI)	35,439.96	26,874.62	8,565.34	31.87
CAP (N 'trillion)	12,216.93	9,246.92	2,970.01	32.12
Year-to-Sept Returns	**31.87%**			

Source: *NSE, GTI Research*

Though, there have been weakness in the market's growth rate, particularly, August and September when ASI decline by 0.95% and 0.14% respectively, we expect activity to pick up going forward. This is hinge on expectation of improved companies' performance in the Q3 earnings season.

Outlook the rest 2017

- We expect the Q3 earnings season to impact positively on the market, especially, if numbers beat market expectations.
- We think that conscious fiscal policy direction from the government would further strengthen economic recovery and market fundamentals.
- We expect GDP to average between 1.0% and 1.5% in 2017.
- We expect interest rate to reduce to 12% from the current 14%. Our expectation is that the MPC will shift from fighting inflation to economic growth having seen a wane in inflation pressure.
- Our inflation forecast for 2017 is however at 15.6%.

Overview of Nigeria's Economic Outlook/Projections

	2016A	**2017F**
GDP	-1.55	1% - 1.5%
Inflation	18.55%	15.6%
Exchange Rate (Official)	NGN305.75/US$	NGN320.00/US$
Oil Price p/b	$55.54	$65.00
MPR	14%	12%
Equities Market	-6.17%	35.00%

Source: *GTI Research*

Regards,
Research and Strategy.

Disclaimer

For enquires/research queries, please send an email to research@gti.com.ng