EFInA Quarterly Review

(October to December 2015)

1 Global Economy

1.1 Growth

In January 2016, the International Monetary Fund (IMF) projected 3.4 per cent global economic growth for 2016, which represents an increase of 0.3 per cent over the growth rate of 3.1 per cent in 2015. Their growth rate for 2017 is forecast for 3.6 per cent. The IMF stated that these projections are primarily for emerging market and developing economies. The IMF said in advanced economies, a modest and uneven recovery is expected to continue, with a gradual further narrowing of output gaps, adding that the picture for emerging markets and developing economies is diverse, but in many cases challenging. However, most countries in Sub-Saharan Africa, will see a gradual pickup in growth, but to rates that are lower than those seen over the past decade, due to the continued adjustment to lower commodity prices and higher borrowing costs, which are weighing heavily on some of the region's largest economies, including Nigeria, Angola and South Africa, as well as a number of smaller commodity exporting countries.

The IMF warned that unless the key transitions in the world economy are successfully navigated, global growth could be derailed. They said the prospect of rising interest rates in the United States, the economic slowdown in China, lower commodity prices and financial risks in emerging markets could continue to weigh on growth prospects in 2016–17.

1.2 Employment

In November, the UN System Chief Executives Board for Coordination (CEB) endorsed the Global Initiative on Decent Jobs for Youth, which aims to scale up action in support of youth employment – one of the main current global challenges and priorities. International Labour Organization (ILO), Director-General, Guy Ryder said that the initiative represents an exemplary system-wide effort for the achievement of the 2030 Agenda for Sustainable Development, in particular of Goal 8 on 'Inclusive and sustainable economic growth, employment and decent work for all,' and the other goals concerned with youth employment.

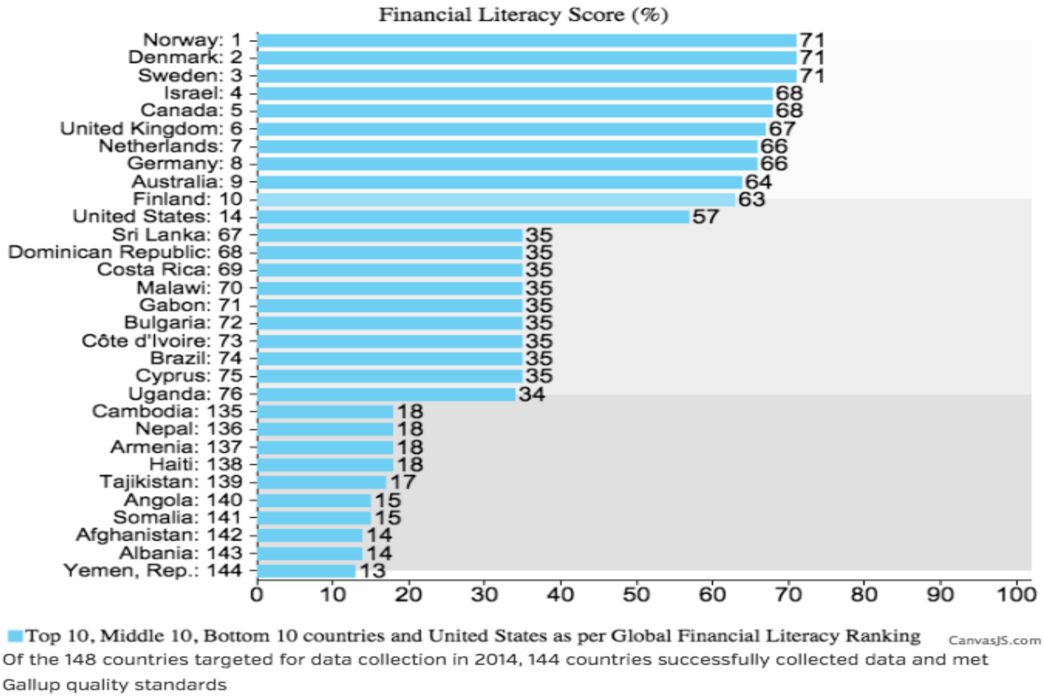
The ILO stated that millions of young people continue to struggle to find work, with global youth unemployment set to rise further above its pre-downturn level. The UN agency is calling on governments to invest more in education and training as new evidence emerges that young jobseekers are being disproportionately affected by the legacy of the global financial crisis.

The ILO's annual report into youth employment trends revealed that although the global jobless rate for young people fell between 2012 and 2014, at 13.0 per cent it was still three times higher than the rate for the over-25s. It is also well above the rate of 11.7 per cent before the crisis and projected to reach 13.1 per cent in 2015.

The report highlighted the difference between developed economies where the jobless rate has fallen since 2012 and countries in Asia and North Africa where it rose or stagnated. The ILO wants to see more assistance in the provision of work and better social safety nets for young people looking for jobs in a labour market that is rapidly changing by technology and new types of employers, including start-ups.

1.3 *Financial Literacy*

The Standard & Poor's Ratings Services Global Financial Literacy Survey (S&P Global FinLit Survey) is the world's largest, most comprehensive global measurement of financial literacy. According to the first-ever S&P Global FinLit Survey, just one-third of the world's population is financially literate. On a country-by-country basis, Norway, Denmark and Sweden tied for first place, with 71 per cent of their populations ranking as financially literate. At the bottom of the spectrum was Yemen — just 13 per cent of the Yemeni population was deemed financially literate by the S&P Survey. The study calculated that 26 per cent of Nigerians are financially literate.



Source: S&P Global FinLit Survey

These rankings were calculated by interviewing more than 150,000 randomly selected adults (15 and older) in more than 140 countries during 2014. Adults surveyed were asked five multiple-choice questions to measure their numeracy and conceptual understanding of risk diversification, compound interest, and inflation.

The study found that women, the poor, and lower educated respondents are more likely to have gaps in their financial knowledge, not only in developing economies but also in countries with well-developed financial markets. The study also found that adults who use formal financial services like bank accounts and credit cards generally have higher financial knowledge, regardless of their income. Even poor people who have a bank account are more likely to be financially literate than poor people who do not have a bank account, and rich adults who use credit also generally have better financial skills than rich adults who do not. This suggests the relationship between financial knowledge and financial services may work in two directions - while higher financial literacy might lead to broader financial inclusion, operating an account or using credit may also deepen consumers' financial skills.

On a global basis, 35 per cent of men were found to be financially literate, compared to just 30 per cent of women. Interestingly, the survey showed that while women were less likely to provide correct answers to the financial literacy questions, they were also more likely to indicate that they 'don't know' the answer.

1.4 Ease of Doing Business

The World Bank Group's yearly Doing Business Report showed that developing economies increased the pace of their business reforms during the 12 months prior to October 2015 to make it easier for entrepreneurs to start and operate businesses. The 85 developing economies implemented 169 business reforms during that time, compared with 154 reforms the previous year. High-income economies carried out an additional 62 reforms, bringing the total to 231 reforms in 122 economies around the world. The majority of the new reforms during this period were designed to improve the efficiency of regulations, by reducing their cost and complexity, with the largest number of improvements made in the area of starting a business, which measures how long it takes to obtain a permit for starting a business and its associated processing costs.

A total of 45 economies, 33 of which were developing economies, undertook reforms to make it easier for entrepreneurs to start a business. For example, India made significant improvements by eliminating the minimum capital requirement and business operations certificate, saving entrepreneurs an unnecessary procedure and five days' wait time. Kenya also made business incorporation easier by simplifying pre-registration procedures, thereby reducing the time to incorporate by four days.

Efforts to strengthen legal institutions and frameworks were less common, with 66 reforms implemented in 53 economies during the past year. The largest number of reforms was in the area of getting credit, with 32 improvements, of which nearly half were undertaken in Sub-Saharan Africa.

1.5 Financial Inclusion

United Kingdom

Up to 9 million consumers are expected to benefit from the launch of fee-free basic accounts by 9 major UK banks. The accounts will be available to anyone who doesn't already have a bank account and is ineligible for a standard current account or who can't use their existing account due to financial difficulty.

The launch, on January 1 2016, follows the landmark agreement between the government and the banking industry to establish new basic bank accounts that will end bank charges if a direct debit or standing order fails. The changes will remove the risk that basic bank account customers will be forced into overdraft due to the imposition of usurious financial penalties. Basic bank account customers will also be offered services on the same terms as other personal current accounts that the banks provide, including access to all of the standard over-the-counter services at bank branches and at post offices, and to the entire ATM network.

1.6 Internet Users

The International Data Corporation (IDC) estimates that 3.2 billion people, or 44 per cent of the world's population, will have access to the internet in 2016. Of this number, more than two billion will be using mobile devices to do so.

According to the IDC, growth in internet access is taking place around the world, but some countries are experiencing particularly rapid growth. The IDC stated that China, India, and Indonesia lead the way and will account for almost half of the increase in internet access globally over the course of the next five years. They stated that the combination of lower-cost devices and inexpensive wireless networks is making accessibility easier in countries with populations that could not previously afford them.

2 African Economies

2.1 Growth

According to the IMF, economic activity has weakened markedly in Sub-Saharan Africa, and the strong growth momentum of recent years has dissipated in quite a few countries. While the business and macroeconomic environment has improved considerably over the past decade or so, other factors that underpinned strong growth such as high commodity prices and accommodative financing conditions have become less supportive. The prices of many commodities exported by the region have declined by around 40-60 per cent in the past two years, and borrowing costs have risen amid a reassessment of global risk in anticipation of interest rate hikes in the US. In addition, larger external and fiscal deficits are also adversely affecting some countries.

As a result, while growth in Sub-Saharan Africa is still stronger than many other regions, the IMF's latest Regional Economic Outlook for the region estimates growth at 3.75 per cent in 2015, even lower than in 2009 in the aftermath of the global financial crisis. The forecast for 2016 is slightly higher at 4.25 per cent.

GDPs of countries such as Cote d'Ivoire, Ethiopia, and Tanzania are expected to grow at 7.0 per cent or more in 2015 and 2016. Other low-income countries, however are feeling the effect of low commodity prices, even though cheaper oil has eased their energy import bill. Hardest hit are the region's oil exporters as falling oil prices have drastically reduced export revenue and forced a sharp fiscal adjustment. The oil producers' account for about half of the region's GDP and includes the largest producers, Nigeria and Angola. Several middle-income countries, including Ghana, South Africa, and Zambia, are also facing unfavourable conditions, ranging from low commodity prices to difficult financing conditions and electricity shortages.

2.2 Development

On October 4, the World Bank reported that Nigeria and other Sub-Saharan African countries account for half of the global poor. In the last several decades, East Asia and Pacific, South Asia and Sub-Saharan Africa accounted for 95 per cent of global poverty. However, the Bank stated in its Policy Research Note entitled 'Ending Extreme Poverty and Sharing Prosperity: Progress and Policies' that the composition of poverty across the three regions has shifted dramatically.

According to the Bank, in 1990, East Asia accounted for half of the global poor, whereas some 15 per cent lived in Sub-Saharan Africa; by 2015 forecasts, this has almost exactly reversed: Sub-Saharan Africa accounts for half of the global poor, with 12 per cent living in East Asia. Poverty is declining in all regions but it is becoming deeper and more entrenched in countries that are either conflict-ridden or overly dependent on commodity exports.

The growing concentration of global poverty in Sub-Saharan Africa is of great concern. While some African countries have seen significant successes in reducing poverty, the region as a whole lags the rest of the world in the pace of lessening poverty. Sub-Saharan poverty declined from an estimated 56 per cent in 1990 to a projected 35 per cent in 2015. Rapid population growth remains a key factor slowing progress in many countries.

In its regional forecasts for 2015, the Bank said that poverty in East Asia and the Pacific would fall to 4.1 per cent of its population, down from 7.2 per cent in 2012; Latin America and the Caribbean would fall to 5.6 per cent, from 6.2 per cent in 2012; South Asia would fall to 13.5 per cent in 2015, compared to 18.8 per cent in 2012; Sub-Saharan Africa would decline to 35.2 per cent in 2015, compared to 42.6 per cent in 2012.

The report predicted that the number of people living in extreme poverty around the world was likely to fall to under 10 per cent of the global population in 2015, providing evidence that a quarter-century-long sustained reduction in poverty was moving the world closer to the historic goal of ending poverty by 2030.

The Bank uses an updated international poverty line of $1.90 a day, which incorporated new information on differences in the cost of living across countries. The new line preserves the real purchasing power of the previous line (of $1.25 a day in 2005 prices) in the world's poorest countries.

2.3 Foreign Direct Investment

Foreign Direct Investment (FDI) inflows to Nigeria and other Sub Saharan African countries, including South Africa, Kenya, Angola, among others, fell by 31 per cent in 2015 to an estimated $38 billion. This decline, according to a report by Global Investment Trends Monitor of United Nations Conference on Trade and Development (UNCTAD), was attributed to the plummeting prices of crude oil and other commodities.

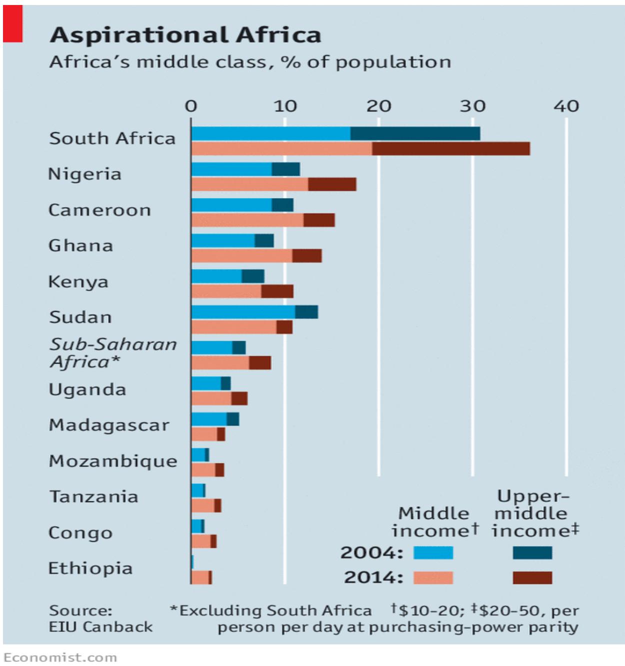
Specifically, Nigeria was reported to have been badly hit due to the drop in oil prices, with FDI into the country declining by 27 per cent to an estimated $3.4 billion in 2015. Also the report revealed that flows to North Africa declined. However, Egypt saw a rebound of investment from $4.3 billion in 2014 to an estimated $6.7 billion in 2015. Central Africa and Southern Africa saw the largest decline in FDI with the end of the commodity 'super-cycle' having an impact on resource-seeking investment. Flows into Mozambique were down by 21 per cent but still notable at an estimated $3.8 billion. FDI into South Africa fell dramatically, down by 74 per cent to $1.5 billion.

However, global FDI flows rose in 2015 by 36 per cent to reach an estimated $1.7 trillion, the highest level since 2007. A wave of cross-border mergers and acquisitions, which rose significantly in value, was largely responsible for the increase in FDI. UNCTAD's preliminary estimates indicate that FDI flows to developed countries increased sharply in 2015, reaching their second highest level ever at $936 billion, and accounting for the majority of the increase in global flows.

2.4 Emerging Middle Class

On a continent once synonymous with war, famine and poverty, a middle class has started to emerge in Africa, propelled by growth and urbanisation. Its rise has much to do with the spread of democracy and greater rule of law. Generally, countries with such attributes tend to generate more economic opportunities than those in which a few rulers line their pockets.

The Pew Research Centre calculates that just 6 per cent of Africans qualify as middle class, which it defines as those earning $10-$20 a day. Using this measure, the number of middle-income earners in Africa barely changed in the decade to 2011. More recent data from EIU Canback, shows some growth in the decade to 2014 but it is painfully slow: 90 per cent of Africans still fall below the threshold of $10 a day and the proportion in the $10-$20 middle class (excluding very atypical South Africa), rose from 4.4 per cent to only 6.2 per cent between 2004 and 2014. Over the same decade, the proportion defined as 'upper middle' ($20-$50 a day) increased from 1.4 per cent to 2.3 per cent.



The puzzling question posed by the data is why the middle class is so small after a decade in which economic growth has averaged more than 5 per cent a year, about twice as fast as population growth. One reason is that the proceeds of economic growth are shared very unequally. In recent years inequality has increased alongside growth in most parts of Africa. Another reason is that poverty in many parts of Africa is so deep that even though incomes may have doubled for millions of people, they are now merely poor rather than extremely poor.

Unlike Asia, Africa has failed to develop industries that generate lots of employment and pay good wages. Only a few countries manufacture very much, largely because national markets are small and barriers to trading within Africa are huge. Most people who leave rural areas, move into labour-intensive but not very productive jobs such as trading in markets.

The middle class that has emerged, small as it may be, is also vulnerable; even mild economic shocks may be sufficient to push households back below the threshold of poverty. That in turn may slow the impetus for reform, and perhaps even reverse it.

2.5 Financial Inclusion

Zimbabwe

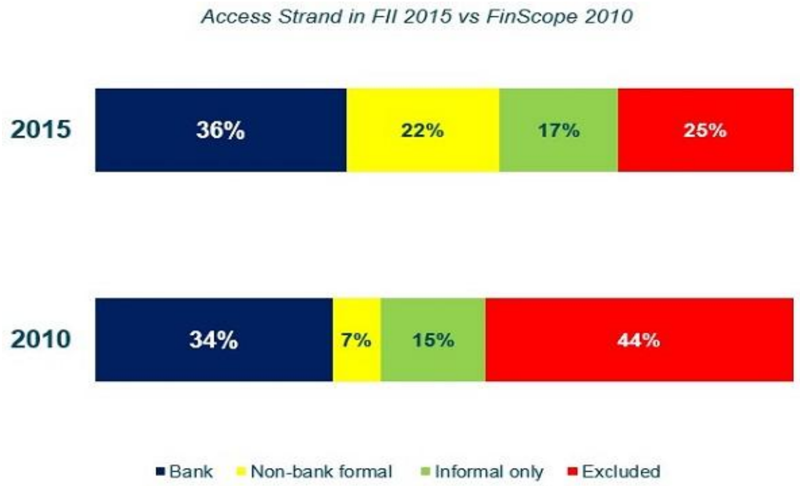
The Reserve Bank of Zimbabwe (RBZ) gave banks in Zimbabwe until December 31, 2015 to submit three-year board approved financial inclusion plans as the central bank moves to bring the unbanked into the formal system. In July 2015, Governor John Mangudya of RBZ said banks should share infrastructure to cut costs and be able to offer low-cost deposit accounts. He said RBZ would make it mandatory for new applications for banking licenses to be accompanied by credible financial inclusion plans as part of the licensing criteria. Banks have played second fiddle to mobile money operators who have tapped into the previously unbanked market. Banks are accused of neglecting the unbanked by failing to develop products that cater for the lower segment of the market.

A recent Market Access Possible diagnostic report showed that mobile money grew by 72 per cent in 2014, but banks' contribution to financial inclusion had declined. The report revealed that people trust mobile money operators more than banks because they have not lost money so far through that system.

Ghana

Despite a relatively well-educated, well-off and financially advanced population that has one of the highest mobile penetration rates in Africa, and near universal awareness of mobile money, to date there has been limited growth in the Ghanaian banking industry. In July 2015, the Bank of Ghana issued new regulations that were widely hailed by the banking industry as well as independent observers as a best practice framework. The uptake of mobile wallets has been steadily climbing and by the time the new regulations were launched, there were 4 million mobile money accounts in Ghana, 2.5 times as many as in 2014.

According to the 2015 Financial Inclusion Insights (FII) survey, funded by the Consultative Group to Assist the Poor (CGAP) and executed by InterMedia, access to formal financial services in Ghana has increased from 41 per cent in 2010 to 58 per cent in 2015. As a result, financial exclusion dropped from 44 per cent in 2010 to 25 per cent in 2015, which is a significant achievement for the country.



The main driver of this change is a substantial increase in access to non-bank formal financial services, which tripled in the last five years. Within this category, half of the expansion is directly attributable to mobile money, which was virtually non-existent in 2009 but is now actively used by 25 per cent of Ghanaians. Access to mobile money is now nearly at par with access to banking: 29 per cent and 36 per cent of adults use mobile financial services and banking, respectively. Also, bank account holders are nearly twice as likely to have an inactive bank account (one that hasn't been used in the last three months) as mobile wallet holders. Access to bank accounts increased from 34 per cent to 36 per cent between 2010 and 2015.

South Africa

South Africa enjoys relatively high banking penetration for a developing nation, with seven out of 10 adults banked and little gender disparity. Lower down the economic ladder, though, 57.8 per cent of the poorest 40 per cent of South Africans are banked, and only just more than half of young adults. Two of the biggest drivers of inclusion - up from 45 per cent of the population in 2004 - were the introduction of Mzansi accounts (low-fee transactional bank accounts) and later the South African Social Security Agency (Sassa) initiative. According to the FinScope 2014 report, a third of the banked population has Sassa cards (linked to Grindrod Bank accounts) through which they receive state benefits.

2.6 Agricultural Finance

The African Development Bank (AfDB) has created a $300 million facility for Affirmative Finance Action for Women in Africa – which will be used to deploy risk-sharing instruments for leveraging $3 billion in commercial financing and financing from microfinance institutions to women and women-owned businesses. The creation of the $300 million financing facility is meant to channel more funds to African women in agri-business and provide bank guarantees. By providing greater attention to labour-saving technologies, especially food processing technologies, women are expected to invest their time in more productive income earning opportunities.

2.7 Digital Financial Services

Côte d'Ivoire is the largest digital financial services market in the West African Economic and Monetary Union, with over 50 per cent of the value deposited into mobile money accounts in the region in 2014. However, in common with many markets across the globe, Côte d'Ivoire has a high level of inactive digital financial services accounts, with approximately half of all accounts being inactive. The Partnership for Financial Inclusion, a joint initiative of International Finance Corporation (IFC) and The MasterCard Foundation to advance mobile financial services in Sub-Saharan Africa, carried out market research in cooperation with two of the largest digital financial services providers in Côte d'Ivoire in order to understand the reasons for these high levels of inactivity.

The study revealed that the main barriers to usage of digital financial services were that customers found the services to be irrelevant or too costly. The report makes a number of recommendations based on the research findings, including the need to keep prices of digital financial services low, offer a broad range of products and services that cater to customers with irregular incomes, improve agent availability and management, and ensure good customer education.

The Boston Consulting Group (BCG) calculates that the use of mobile financial services in Sub-Saharan Africa could produce an estimated $1.5 billion in fees for mobile money providers by 2019. Sub-Saharan Africans are looking for more secure ways to borrow and save money and are open to other financial products delivered through mobile phones, including loans and insurance. Eight of the 10 countries with the highest usage of mobile financial services are in Africa, and Sub-Saharan Africa has the highest proportion of active accounts (43 per cent).

With the population in Sub-Saharan Africa growing and becoming wealthier, the number of people aged 15 or older with an individual yearly income of $500 or more will rise to more than 460 million by 2019. According to BCG, by 2019 there will be 400 million unique mobile phone subscribers and almost 150 million traditionally banked Sub-Saharan Africans. That will leave some 250 million Sub-Saharan Africans aged 15 or older who have annual incomes of $500 or more and mobile phones but no traditional bank account, which represents a large potential market for mobile financial services.

2.8 Ease of Doing Business

Sub-Saharan African economies continue to implement reforms to improve the business climate for entrepreneurs, with members of the Organization for the Harmonization of Business Law in Africa (OHADA) having been particularly active during the past year, according to the World Bank Group's annual ease of doing business measurement.

The World Bank catalogued a total of 69 reforms in 35 economies in Sub-Saharan Africa, accounting for about 30 per cent of the 231 reforms implemented worldwide during the past year. The region also boasted half of the world's top 10 improvers, i.e. countries that implemented at least three reforms and moved up on the global rankings scale - Uganda, Kenya, Mauritania, Benin and Senegal. The region stood out in implementing reforms under the Getting Credit indicator. Of the 32 reforms made globally, 14 were carried out in Sub-Saharan Africa, with Kenya and Uganda making significant progress.

Mauritius ranked best in the region, with a global ranking of 32, performing particularly well in the areas of Paying Taxes and Enforcing Contracts. In Mauritius, it takes only 152 hours for entrepreneurs to pay taxes, compared to 261 hours globally. Rwanda has the next best ranking in the region, with a global ranking of 62. Rwanda also implemented the highest number of reforms in the region, with six reforms carried out in the past year. The country ranked second in the world on the Getting Credit indicator and 12th in the world on the Registering Property indicator. Ten years ago, an entrepreneur in Rwanda took 370 days to transfer property. Now, it takes 32 days, which is less than it would take in Germany. Botswana, with a global ranking of 72, South Africa (73), and Seychelles (95) are also among the better ranked economies in Sub-Saharan Africa.

Sub-Saharan Africa obtained lower scores than the global average for the indicators of Dealing with Construction Permits, Getting Electricity, Enforcing Contracts, Registering Property and Trading across Borders.

2.9 Telecoms

While the total mobile phone penetration in Sub-Saharan Africa is currently at 80 per cent, the region expects to reach 100 per cent mobile penetration by 2021, with over 1 billion mobile subscribers, according to a report by Ericsson Mobility.

In Sub-Saharan Africa, GSM/EDGE is still the most popular technology for mobile subscribers. With 500 million subscribers forecast in 2015, it still accounts for over 70 per cent of total mobile subscribers. This is however expected to change rapidly up to 2021, when WCDMA/HSPA combined with LTE will account for almost 80 per cent of subscribers. The regional report also reflects that while the average revenue per user (ARPU) for data has been rising, leading to a higher contribution of data revenue to total operator revenue, this does not quite offset the drop in voice ARPU. By the end of 2021, monthly mobile data traffic in Sub-Saharan Africa is expected to be almost 2,200 Petabytes (PB).

Between 2015 and 2021, data traffic is projected to grow 15 times in Sub-Saharan Africa, driven by an increased usage of LTE. Smart phones will account for almost 95 per cent of mobile data traffic by 2021, up from close to 80 per cent in 2015. Voice traffic over the same period will increase only marginally.

3 Nigerian Economy

3.1 GDP

Nigeria's GDP grew by 2.84 per cent in the third quarter of 2015, according to the National Bureau of Statistics (NBS). The figure was higher by 0.49 percentage points than growth recorded in the preceding quarter, but 3.38 percentage points lower than growth recorded in the corresponding quarter of 2014. The NBS reported that real GDP increased by 9.19 per cent, quarter on quarter. During the third quarter, aggregate GDP was N24,313,637 million (in nominal terms) at basic prices, compared to the third quarter of 2014 value of N22,933,144 million.

Due to an increase in oil production, real growth of the oil sector increased by 1.06 per cent (year-on-year) in Q3 2015, higher by 4.65 percentage points than the corresponding quarter of 2014, and higher than Q2 2015, when growth declined by 6.79%. As a share of the economy, the oil sector represented 10.27% of total real GDP.

Growth in the non-oil sector was largely driven by the activities of Crop Production, Financial Services, Telecommunications, and Trade amongst others. The non-oil sector grew by 3.05 per cent in real terms in the third quarter of 2015. This was 4.45 percentage points lower than the corresponding quarter in 2014 and marginally lower than growth recorded in Q2 2015.

3.2 2016 Budget

In December 2015, President Muhammad Buhari presented a N6.08 trillion budget for the fiscal year 2016 before a joint session of the National Assembly. In the budget, capital expenditure was N1.8 trillion, representing a 200 per cent increase over the 2015 figure of N557 billion. The 2016 budget for non-debt recurrent expenditure is N2.35 trillion, including N396 billion for education, N296 billion for health and N294 billion for defence. President Buhari said that the Nigerian economy needs to diversify from its oil dependency, toward inclusive growth.

The Nigerian federal government's 2016 budget includes measures designed to galvanise the economy to a GDP growth rate significantly higher than 4.00 per cent. The federal government aims to achieve a growth rate of 4.37 per cent through alignment of fiscal, monetary, trade and industrial policies. The government also plans to ensure job creation in every aspect of the execution of the 2016 budget. Its inclusive growth strategy will entail a reduction in tax rates for smaller businesses as well as subsidised funding for priority sectors such as agriculture and solid minerals.

The budget seeks to stimulate the economy and make it more competitive by focusing on infrastructure development; delivering inclusive growth; and prioritising the welfare of Nigerians. In the medium to long term, the government intends to pursue economic diversification through import substitution and export promotion.

3.3 Inflation

According to the National Bureau of Statistics (NBS), Nigeria's Consumer Price Index (CPI), which measures inflation rose to 9.6 per cent (year-on-year) in December 2015, up from 9.4 per cent in November, and 9.3 per cent in October. The increase was driven partly by higher prices within key divisions which contribute to the Index. In particular, imported food items within the food and non-alcoholic beverages divisions, alcoholic beverage, tobacco and kola, clothing and footwear and transportation divisions all impacted the Index.

3.4 Foreign Reserves

As at December 31, 2015, Nigeria's foreign exchange reserves had declined by 15.7 per cent year-on-year to $29.07 billion from $34.47 billion the previous year. This drop has been largely attributed to the significant reduction in foreign exchange inflow into the country due to sustained low crude oil prices, which ended the year around $37 per barrel.

As a result of this, in 2015 the CBN introduced several measures aimed at preserving the foreign exchange reserves and ensuring exchange rate stability. For instance, the CBN harmonised the foreign exchange market by closing the official window in order to create transparency and minimise arbitrage opportunities. The CBN also officially stopped the sale of Dollars for a list of 41 items as it also sought to reduce pressure on the Naira as well as preserve the external reserves.

3.5 Employment

The Nigerian economy generated 475,180 jobs in the third quarter of the year (Q3 2015), according to the NBS. This represented a significant increase of 333,812 additional jobs when compared with the previous quarter. The increase in the number of jobs in the third quarter was driven mainly by informal sector jobs, predominantly jobs related to rural agriculture activities, due to the beginning of the farming season. The informal sector accounted for 90.2 per cent (428,690) of total jobs created. This was followed by formal sector jobs, which represented 8.8 per cent (41,672) of jobs created in the quarter, while the public sector generated 4,818 jobs, representing 1.01 per cent of jobs created in the quarter.

The labour force population in Q3 2015 increased to 75.9 million from 74.0 million in Q2 2015, representing in a 2.6 per cent increase in the labour force. In Q3 2015, the unemployment rate increased to 9.9%, up from 8.2% in Q2 2015, as the number of new jobs created in the quarter was not able to accommodate the more than 1.9 million new entrants into the labour market. However, the underemployment rate decreased to 17.4%, down from 18.3% in Q2 2015, partly due to farmers who have become fully employed during the planting season. In total, 20.7 million people in the labour force between the ages of 15 to 64 were either unemployed or underemployed in Q3 2015. Unemployment and underemployment rates were higher among youth and women.

4 Financial Sector

4.1 Capital Markets

As of December 31, 2015, the All-Share Index had depreciated by about 17.36 per cent over the course of 2015 to close trading at 28,642.25, as against the opening value of 34,657.15 at the start of 2015. Market capitalisation, which was N11.478 trillion at the beginning of 2015, decreased by N1.63 trillion to N9.851 trillion on December 31, 2015.

Nigerian Stock Exchange

In November, the Nigerian Stock Exchange (NSE) launched an online trading application called 'Smart Trade' as part of efforts to increase retail investors' participation in the nation's stock market to 25 million people. Although Nigeria has a population of over 170 million, only about five million people invest in the stock market. Executive Director, Market Operations and Technology, Mr. Ade Bajomo said, "The new platform will enable investors to buy and sell stocks on the exchange with real-time processing functionality. He explained that the application is not only about technology but also designed to promote financial inclusion and transparency, and to help investors take control of their investment decisions."

4.2 Financial Inclusion

Central Bank of Nigeria

Financial Literacy

In November, the Central Bank of Nigeria took its on-going nationwide sensitisation campaign on consumer protection, bank verification number (BVN) and other developments in the banking system to Ibadan. Hundreds of bank customers were tutored by officials of the apex bank on development finance, consumer protection, BVN, cashless policy, wonder banks, among others.

Officials of the CBN participated in market storms in three major markets in Ibadan: Bodija International market, Agbeni and Gbagi markets, where market men and women were sensitised on the Central Bank's programmes. The campaign also involved road shows in strategic locations in the city.

Committee of E-banking Industry Heads

The Committee of E-banking Industry Heads (CeBIH) has called for deployment of electronic payments services focused on the lifestyle of the financially excluded people in the country. The Chairman, CeBIH, Mr. Tunde Kuponiyi stressed that e-payment services, especially mobile payments, focused on lifestyle of the financially excluded are critical to achieving the nation's financial inclusion goal. He further added that Nigeria has over 148 million mobile phone subscribers and this makes the mobile platform a veritable way of reaching the unbanked for financial inclusion.

4.3 Banking Industry

The CBN's Financial Stability Report for the first half of 2015 stated that the net domestic credit of the banking system to the economy increased by 11.1 per cent to N21.4 trillion at the end of Q2 2015. This rate of increase is lower than the growth of 32.6 per cent and 14.8 per cent at the end of the preceding period and corresponding period of 2014, respectively. Within the period, net credit to the Federal Government increased by 118.45 per cent to N2.51 trillion. The development reflected the rise in investment in treasury securities by banks, particularly Nigerian Treasury Bills, which grew by 10.4 per cent. The CBN noted that persistent increase in credit to government deprives the private sector of much needed credit to boost economic growth.

Credit to the private sector in the first half of 2015 grew by 4.3 per cent, compared with the growth rates of 11.9 and 4.5 per cent in the preceding period and corresponding period in 2014, respectively. Consumer credit, which comprised 4.2 per cent of all credit to the core private sector, declined by 9.6 per cent to N0.77 trillion at the end of June 2015. The CBN attributed the decline to increased risk aversion to providing consumer credit.

4.3.1 Central Bank of Nigeria

Monetary Policy Rate

At the CBN's last Monetary Policy Committee (MPC) meeting that took place in November, the apex bank declared that it has come to the end of its monetary tightening. The apex bank announced a reduction in its Monetary Policy Rate (MPR), the key rate which drives interest rate in the country and for which it lends money to the deposit money banks from 13 per cent where it has been for almost two years to 11 per cent. The CBN moved the Cash Reserve Ratio (CRR) from 25 per cent to 20 per cent, a development that will allow banks to access more of depositors' funds for investment.

The CBN Governor, Mr. Godwin Emefiele, said the action was in response to the need to activate the real sector of the economy by making sure that both the apex bank and deposit money banks play their fundamental roles to reinvigorate the real sector in the country's diversification drive. He said that the relief in the reduction of the CRR will only be granted to banks that participate in the apex bank's plan of boosting agriculture and the real sector, aimed at creating employment and productivity.

Bank Verification Number (BVN)

According to Nigeria Inter-Bank Settlement System (NIBSS) as of January 10, 2016, the total number of banked customers who have enrolled and collected their BVNs was 22,918,479.

Remittances

The CBN intends to license non-bank remittance providers in Nigeria and also enable out-bound remittances in a market that is known for in-bound remittances and high cost of money transfers. Nigeria is currently one of the top six global remittance recipient countries, with formal in-flows projected to reach $21 billion by the end of 2016 according to the World Bank. By contrast, the Nigerian government's proposed national budget for 2016 is $31 billion.

New non-bank players will take the lead. According to CBN regulations, deposit money banks cannot apply for the international remittance license, which paves the way for non-bank actors to participate in the Nigeria remittances market. This will pit financial technology providers and start-ups against traditional international remittance providers and deposit money banks in Nigeria.

4.3.2 Deposit Money Banks

Commission on Turnover

As banks begin to count their losses following the final phase out of Commission on Turnover (COT) effective January 1, 2016 they will have to increase efforts to remain profitable and lend more to viable sectors of the economy. The implementation of zero COT coincides with the implementation of the Treasury Single Account (TSA), which has removed government funds from the banks. Some analysts have predicted that banks' non-interest income will drop by about N100 billion in 2016, with the removal of COT income. This is because banks have relied heavily on sources which are usually not regulated by law as a major part of their income streams, particularly given the regulatory headwinds and high operating costs due to poor infrastructure. The banks' non- interest income is mainly from service and penalty charges, as well as from asset sales and property leasing. Unlike interest income, this is largely unaffected by economic and financial market cycles and is usually not controlled by law or regulation. The CBN introduced a gradual phase out of COT from N3 per mile in 2013, to N2 per mile in 2014, N1 per mile in 2015 and zero COT in 2016.

Cash Management

Between October 2014 and September 2015, banks earned N10.3 billion as interest on 'idle' cash placed as deposits with the CBN. This is however 62 per cent lower than the N27.3 billion earned in the preceding period from October 2013 to September 2014. Banks access the Standing Lending Facility (SLF) of the CBN to borrow while they access the Standing Deposit Facility (SDF) to place their idle cash as deposits with the CBN.

4.3.3 Non-interest Banking

NDIC

In September, the Nigeria Deposit Insurance Corporation (NDIC) said it had developed a non-interest deposit insurance framework for that segment of the banking sector. It said the framework was designed to create a level playing field and provide deposit protection for depositors involved in non-interest banking and protect them against possible losses. The NDIC stated that it was in the process of appointing a committee of experts to advise it on all issues relating to the deposit insurance scheme for non-interest banking. The Corporation noted that the dearth of viable investment windows and other Sharia-compliant investment portfolios will require collaboration between the Central Bank of Nigeria, Debt Management Office, Securities and Exchange Commission and the Infrastructure Concession and Regulatory Commission.

4.4 Agricultural Finance

From its inception in 2009 through to June 2015, a total of N287.49 billion has been disbursed to finance 370 projects under the Commercial Agriculture Credit Scheme (CACS), the CBN reported. The funds have so far been used to finance 333 private and 37 state government projects. Out of the 333 private projects financed under the CACS, eight are owned and managed by women.

The CBN's Financial Stability Report notes that, while the sum of N287.49 billion had been released under the CACS, N23.676 billion had been repaid by 15 banks for 247 projects, thus bringing the cumulative repayment to N128.88 billion.

4.5 Pensions

The National Pension Commission (PenCom) is set to allow Pension Fund Administrators (PFAs) to invest growing pension assets in the housing industry, particularly real estate, in addition to investing in infrastructure. As of October 2015, total pension assets under the Contributory Pension Scheme (CPS) had risen to N5.14 trillion. While the PFAs have invested these funds in different classes of assets, the RSA active funds, which are contributions of workers and the RSA retiree funds, have not been invested in real estate.

The Director-General, PenCom, Mrs. Chinelo Anohu-Amazu, said there was a need to provide adequate risk mitigation tools to guide the investment of pension assets. "Pension fund managers in Nigeria are amenable to investing part of the pension funds in infrastructure and real estate through viable and secure investible outlets," she said. Mrs. Anohu-Amazu emphasised that timely payments of retirement benefits of workers is imperative, in order not to compromise their comfort after their active working life. She said that the Commission had recently made a presentation to the National Economic Council where it highlighted the numerous benefits that states could derive under the CPS. She said that PenCom would also enhance its technical support to the states for speedy compliance. She noted that that many states in the federation had adopted the CPS and were at different stages of its implementation. "The Pension Reform Act 2014 gives additional impetus for participation in the CPS by explicitly prescribing the coverage of states and local government employees, in addition to the federal public service and private sector," she said.

Mrs. Anohu-Amazu said the scorecard for the North-West Zone was encouraging. However, she stressed the need for all the states and local governments in the North-West Zone that had yet to adopt or implement the CPS to immediately comply in order to avail their employees of the numerous benefits of the Scheme, so as to avoid huge future pension liabilities. According to her, the need for more efficiency in managing finances has never been greater than now, given the limited public resources. "With enhanced provisions of the Pension Reform Act 2014, the Commission is intensifying efforts at extending coverage of the CPS to the underserved economic segments such as the informal sector, through micropensions."

4.6 Micro Small and Medium Enterprises

CBN

In December, as part of its efforts to encourage entrepreneurial ventures and new businesses in the country, the CBN reviewed the guidelines for its N220 billion Micro, Small, and Medium Scale Enterprises Development Fund (MSMEDF). In the new guidelines, the CBN stated that incentives would be given to start-ups that apply for the Fund. It also stated that participating financial institutions (PFIs) are expected to accept charges on fixed and floating assets of the financed projects as collateral for start-ups. Previously, only existing businesses could borrow from the Fund through their banks.

The apex bank also stated that collateral requirement by PFIs from start-ups shall be educational certificates such as SSCE, National Diploma, National Certificate of Education, National Business and Technical Examination Board, Higher National Diploma, University degree (NYSC Certificate where applicable) and a guarantor. The start-ups to access the MSMEDF must present their BVN.

According to the Central Bank, Venture Capital Firms (VCFs) that wish to finance start-ups in the form of equity participation shall be eligible to access the MSMEDF at 2 per cent for investment in start-up projects. The collateral for such facility to the VCF is a bank guarantee. The CBN also said that banks and other finance institutions that lend to start-ups under the Fund will be allowed to access the Fund at zero interest rate. In addition, the CBN also reduced the interest rate it charges to PFIs accessing the Fund from 3 per cent to 2 per cent. All PFIs can access the Fund at an interest rate of 2 per cent per annum and on lend at 9 per cent per annum inclusive of all charges. The interest rate chargeable under the MSMEDF may be reviewed by the Central Bank of Nigeria from time to time.

At the Bankers' Committee retreat in December 2015, CBN Governor, Mr. Godwin Emefiele, disclosed that the Central Bank would soon introduce measures to generate employment for one million graduates. "In 2016, the CBN is contemplating a programme that would support SMEs at concessionary pricing for our young graduates. We need to get more people to be employed. The central bank would over the next few weeks work out the initiative to create employment for at least one million graduates in Nigeria in 2016. That will entail the support from Nigerian banks and our development partners," the governor said.

Bank of Industry

Rasheed Olaoluwa, Managing Director/Chief Executive, Bank of Industry (BoI), stated that the Bank's disbursement to the SME sub-sector in 2015 was N4.7 billion, compared to N1.85 billion in 2014. He attributed the performance of the Bank in the SME sub-sector to the establishment of BoI's SME Directorate and other initiatives aimed at promoting small businesses across the country. Mr. Olaoluwa stated that within the year under review, the Bank had introduced a number of SME specific products with a view to meeting the individual demands of small business operators. "There is an intensive focus on supporting SMEs. Before last year, we didn't have a directorate for SMEs. Now we have a directorate that focuses SMEs, and that has really worked. Secondly, we used to have seven offices in Nigeria, but there are currently 15. In one or two months, we are going to open an additional one in Sokoto State. We have also introduced a number of SME specific funds. For instance, we have cottage, agro-processing fund for people who want to convert agricultural products to food. We have also introduced a Fashion Fund specifically for SMEs in the fashion industry. The idea is, we don't want to treat all SMEs as being the same." He further added that the identification of 35 different clusters by the Bank also improved its ability to better understand the dynamics of small business operators.

5 Telecoms Sector

According to the Nigerian Communications Commission (NCC), in November 2015, the number of active lines was 152,123,172. Teledensity reached 108.66 per cent. The table below provides a summary of telephone subscribers in November 2015.

	Number of active lines
Mobile GSM	**149,787,120**
Mobile CDMA	**2,149,120**
Fixed Wired/Wireless	**186,772**
Total	**152,123,172**

Source: NCC

5.1 Internet Users

The Nigerian Communications Commission stated that the number of Internet users through mobile networks in the country had reached 97.21 million in September 2015, up from the 95.37 million recorded in August 2015. Of the 97.21 million internet users connecting via mobile networks, 97.06 million were on the GSM networks, while 151,816 were on the CDMA networks.

6 Mobile Money

6.1 Africa

6.1.1 Rwanda

New financial inclusion survey data from the Consultative Group to Assist the Poor (CGAP) offers a glimpse into mobile money usage in Rwanda, where 17 per cent of adults have active mobile money accounts. The nationally representative survey of adults provided interesting insights into how many people are using mobile financial services and for what reasons. The findings showed that mobile financial services are proving to be critical in connecting people in rural areas or living on less than $2.50 per day with formal financial services. In Rwanda, for example, the survey found that 61 per cent of active mobile money users were located in rural areas, while 72 per cent live on less than $2.50 per day. In these cases, mobile money is proving to be some adults' first inroad into financial inclusion.

Rwanda Highlights:

- 23 per cent of adults have a mobile money account
- 17 per cent of adults have active mobile money accounts
- 61 per cent of active mobile money account holders are located in rural areas, while 72 per cent live on less than $2.50 per day
- 25 per cent of active mobile money users pay bills through their accounts
- 71 per cent of adults pay for insurance, but only 0.1 per cent do so via mobile money

The survey highlighted that digitising existing cash payments – such as insurance premiums, savings, or wages - is an opportunity to expand mobile money.

6.1.2 Ghana

A new study on financial inclusion has found out that the number of Ghanaian adults with active mobile money accounts has doubled in the past year, and has reached 17 per cent of the adult population. The study conducted by CGAP said Ghana's progress in mobile money is commendable, especially as the service was introduced less than five years ago. According to CGAP, Ghana is 'the most digital financial services-ready country in Africa' when it comes to the key elements required for successful adoption. 92 per cent of adults have the required ID necessary to open an account and 91 per cent of Ghanaians already own a mobile phone (compared to only 74 per cent and 72 per cent in Kenya and Tanzania, respectively).

Ghana Highlights:

- 20 per cent of adults have a mobile money account
- 17 per cent of adults have an active mobile money account
- Ghanaians are 'mobile money ready,' in that 92 per cent have the required form of identification to open an account, 95 per cent are numerate, 91 per cent own a mobile phone, and 74 per cent have sent or received text messages
- 59 per cent of adults pay for insurance, but only 0.1 per cent do so via mobile money

6.1.3 Uganda

Uganda Revenue Authority is working with MTN Uganda in order to allow tax payments using mobile money services. This will allow taxpayers to use mobile money to pay for taxes and other non-tax revenue like driving permits, passport fees, government tender fees and court fines, among others. Taxpayers will have a transaction limit of Shs4 million.

6.1.4 Kenya

Pfizer Foundation has injected US$1.5 million into Kenya's new healthcare payment platform called M-Tiba. The M-Tiba platform was launched in November and is a partnership between Safaricom, PharmAccess Foundation and CarePay, aimed at deepening the ability of citizens to access healthcare. The M-Tiba platform will deliver a mobile 'health wallet' that channels funds meant for health services directly to recipients - allowing for effective tracking and monitoring of the use of funds. The Pfizer Foundation's Strategist for Partnerships, Willy Soriney said the funding would go a long way to scale the M-Tiba platform. He expressed hope that Insurance companies would see opportunities and the immense possibilities in the M-Tiba platform. The Pfizer Foundation is the first donor partner which will use the M-Tiba platform to reach people in the slums in Nairobi. The service has been on trial for the last nine months at 44 clinics reaching 10,000 beneficiaries.

6.2 Nigeria

6.2.1 CBN

In November, the CBN approved mobile money as part of international money transfer services. The CBN explained that the approval followed a series of representations by financial stakeholders on the need to facilitate foreign exchange transactions through a more convenient and flexible payment channel. The CBN said its approval was based on the recognition of the mobile telephone as a potential tool for promoting financial inclusion and being an efficient payment system.

6.2.2 NDIC

In October, the Nigeria Deposit Insurance Corporation (NDIC) stated that it had extended the maximum deposit insurance coverage of N500,000 to individual mobile money subscribers in the country, through the provision of pass-through deposit insurance. The Director, Research, Policy and International Relations of NDIC, Dr. Jacob Afolabi, said that this was to protect mobile money subscribers. He said each subscriber using mobile money will be entitled to as much as N500,000 in case of failure of a deposit money bank. The Director said that with the pass-through deposit insurance, the Corporation will recognise individual subscribers in the pooled account instead of treating the pooled mobile money operator's account as a single account. This development, Dr. Afolabi said, would engender confidence in mobile money and increase the level of financial inclusion in the country.