

## FSDH Research Forecasts a GDP Growth Rate of 3.16% in 2018 - Implications

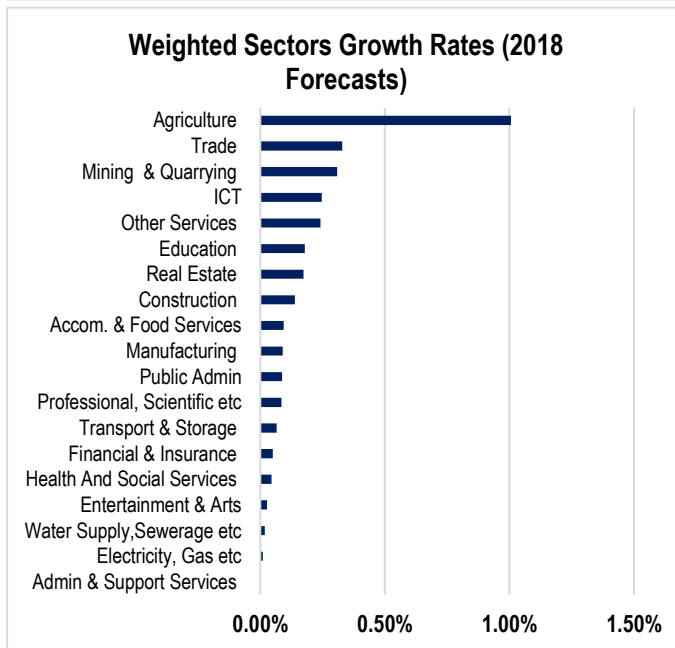
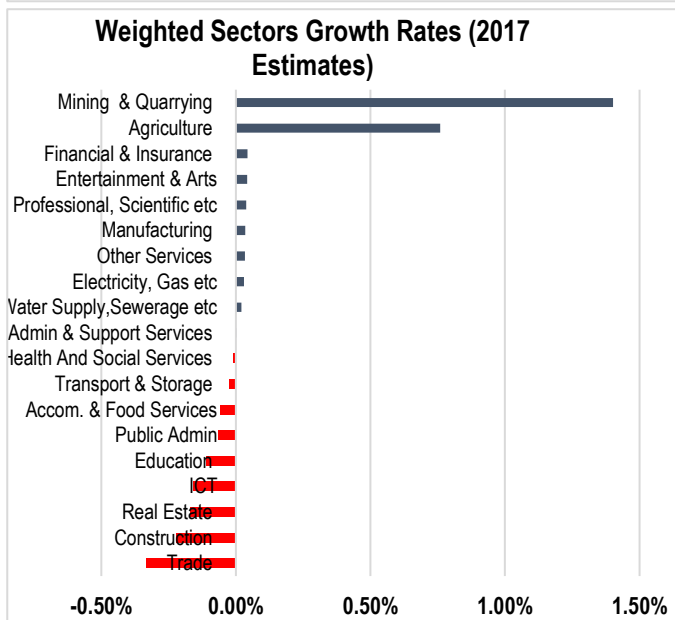
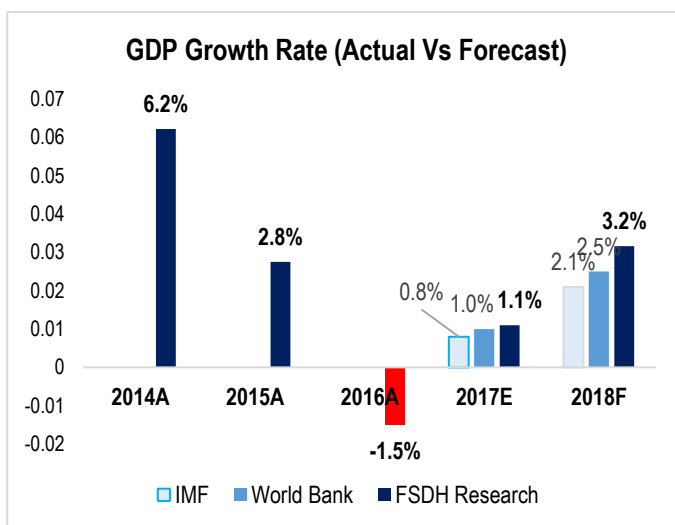
FSDH Research forecasts a Real Gross Domestic Product (GDP) growth rate of 3.16% in 2018. The 2018 GDP growth rate would be the highest since 2015. We highlight the implications of the recovery in the economy for businesses and financial markets.

The expected growth in the economy, though still fragile, has relatively reduced the inherent risks in the business environment. This will stimulate economic activities in Agriculture, Trade, Mining and Quarrying, Information and Communication Technology, Education, Real Estate, Construction and Manufacturing sectors. We expect fresh capital and the return of the previously exited capital in the Real Estate.

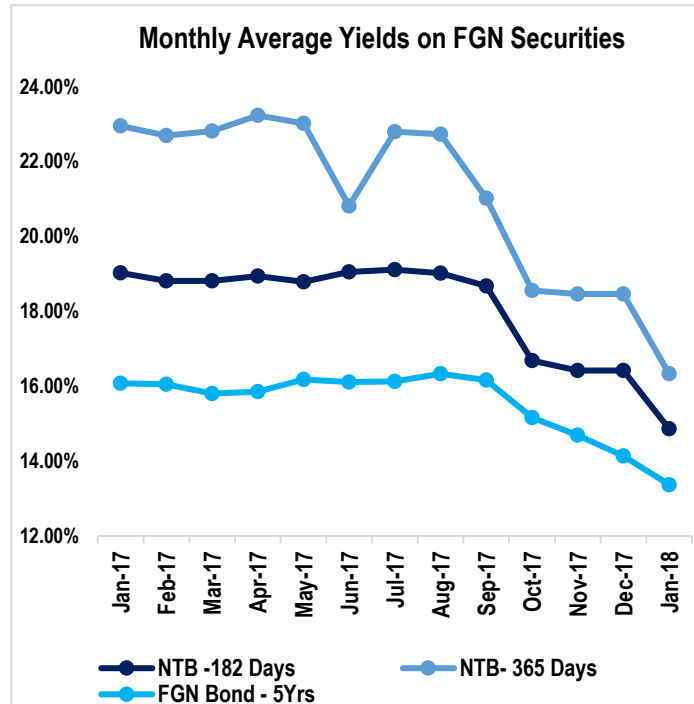
The need for monetary policy easing will continue to grow as the risks affecting price stability in the economy decrease. This will make cheaper funds available for the bankable projects. In line with FSDH Research's expectation, yields on the Nigerian Treasury Bills (NTBs) have dropped significantly in the last five months.

The drop in the yields on the Federal Government of Nigeria's securities will pave the way for more issuance of Corporate Bonds and Commercial Papers to fund long-term expansion and short-term working capital requirements. This will also lead to lower financing cost for corporates and profitability will increase. Consequently, valuation of stocks listed on The Nigerian Stock Exchange (NSE) will become more attractive.

FSDH Research reiterates that there are downside risks to the growth. The rising social unrest in some parts of the country may affect economic activities and lead to escalating inflation rate.



External factors that can lead to a significant drop in the crude oil price may have adverse impact on the economic activities in Nigeria. There could be capital flight out of Nigeria if there are excessive hikes in the interest rates in the advanced economies.



Sources: IMF, World Bank, FMDQ, NBS and FSDH Research

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