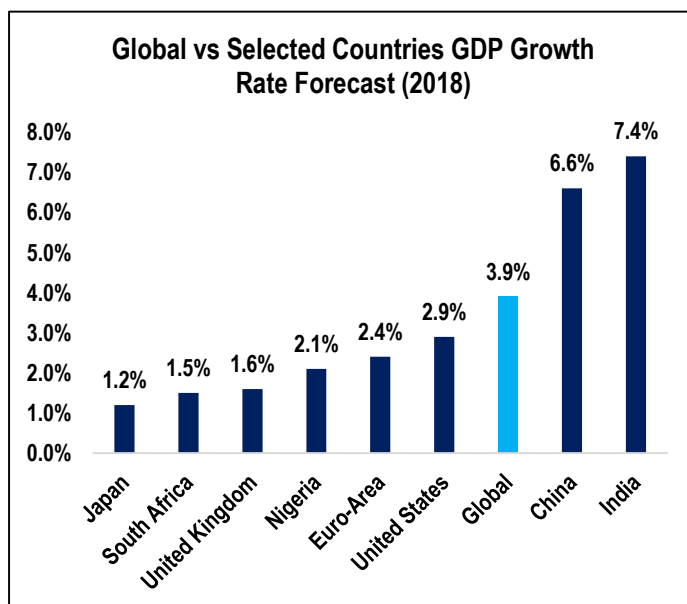


## Global Growth Momentum Strengthens

The global growth and trade trajectory strengthened in 2017. The International Monetary Fund (IMF) reported that global growth firmed to 3.8% in 2017, from 3.2% in 2016. This is contained in the IMF's World Economic Outlook (WEO), April 2018. It added that the strong growth and trade recovery is being led by an investment recovery in advanced economies, continued strong growth in emerging Asia, and signs of recovery in several commodity exporters (including Nigeria).

The growth prospect for the advanced economies is expected to wane from the dimming of the cyclical upswing and US fiscal stimulus in the medium term. In contrast, the emerging market and developing economies growth are forecast to remain close to their 2018–19 level by 2020. The gradual recovery in commodity exporters and a projected increase in India's growth also provide some offset to China's gradual slowdown. The IMF retained a growth rate of 2.1% and 1.9% for Nigeria in 2018 and 2019, respectively. Nigeria's growth is expected to be fuelled by improved oil prices, revenue, and production and recently introduced foreign exchange measures that contribute to better foreign exchange availability.

The increased capital importation, favourable crude oil price, and higher crude oil production has boosted the Nigerian economy, with a positive impact on Nigeria's GDP in 2017. FSDH Research forecasts a Real GDP growth rate of 3.16% for 2018. Year-to-17 April 2018, the Bonny Light crude oil price has averaged US\$68.83/b, higher than the average of US\$55/b in 2017. The IMF forecasts average crude oil price of US\$62.30/b and US\$58.20/b for 2018 and 2019, respectively.



**Table 1: Global Economic Growth (Actual vs Forecast)**

	2016A	2017A	2018F
<b>Global</b>	3.2%	3.8%	3.9%
<b>USA</b>	1.5%	2.3%	2.9%
<b>Japan</b>	0.9%	1.7%	1.2%
<b>Euro-Area</b>	1.8%	2.3%	2.4%
<b>China</b>	6.7%	6.9%	6.6%
<b>India</b>	7.1%	6.7%	7.4%
<b>United Kingdom</b>	1.9%	1.8%	1.6%
<b>Nigeria</b>	(1.6%)	0.8%	2.1%
<b>South Africa</b>	0.6%	1.3%	1.5%

Source: IMF World Economic Outlook (WEO), April 2018

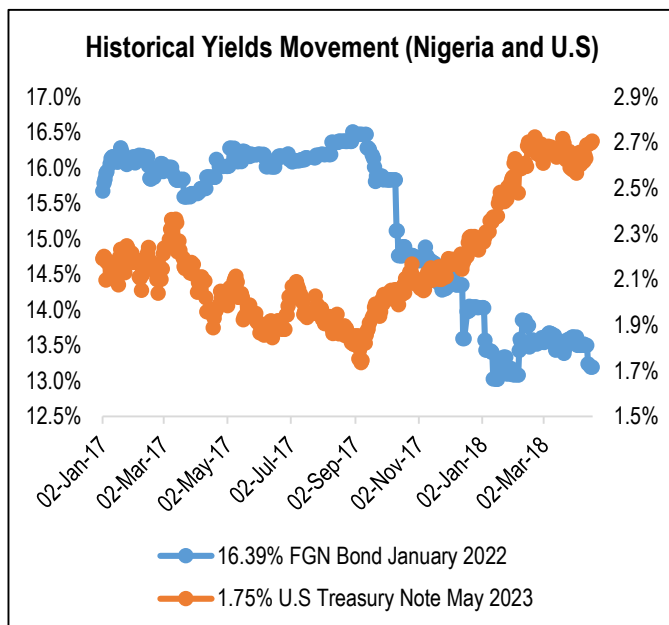
**Table 2: World Trade Growth (Actual vs Forecast)**

	2016A	2017A	2018F
<b>World Trade Volume</b>	2.3%	4.9%	5.1%
<b>Imports:</b>			
<b>Advanced Economies</b>	2.7%	4.0%	5.1%
<b>Emerging &amp; Developing Economies</b>	1.8%	6.4%	6.0%
<b>Exports:</b>			
<b>Advanced Economies</b>	2.0%	4.2%	4.5%
<b>Emerging &amp; Developing Economies</b>	2.6%	6.4%	5.1%

Source: IMF World Economic Outlook (WEO), April 2018

Similarly, the gradual monetary policy normalisation in advanced economies is expected to have minimal impact on the growth rate of the Nigerian economy via the foreign exchange channel in the short-term. The regression analysis of the 16.39% January 2022 FGN Bond and the 1.75% May 2023 U.S Treasury Note shows a negative correlation.

FSDH Research opines that the GDP in Nigeria will strengthen further in the short-to-medium term. The favourable oil price and oil production and the attractiveness of the yields on fixed income securities in Nigeria despite their declining yields may support GDP growth path. The flexible foreign exchange window offered by the Investors' and Exporters' Foreign Exchange Window (I&E Window) also remains an attraction for foreign exchange inflows to support economic activities.



Source: International Monetary Fund; Bloomberg; FMDQ; and FSDH Research Analysis

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